THE
TICKER

Vol. 4 MAY, 1909 No. 1

The Bargain Indicator

This Month's Figures Show a New Leader and Many Important Changes in Relative Cheapness

By "THE PROFESSOR" *

LAST month's Bargain Indicator made a distinct hit. Friends tell us it's the best thing THE TICKER has done. They have only to look at the Indicator to find where their stocks stand in comparison with all others, and to note which issues are making progress or falling behind.

Some are doubtful as to the authenticity of the figures. One party had the impression that statements of earnings were only put out to fool the public. Our figures on railroad stocks are taken from the last annual reports of the various companies, combined with the monthly statements now regularly sworn to and filed with the Inter-State Commerce Commission at Washington. Every railroad company doing an inter-State business is now compelled to file these reports at the same time and in a uniform way. In most cases the fiscal year ends June 30th, and earnings for the remaining months are estimated by us.

In comparing our figures with those of others, kindly bear in mind that we take into consideration *future as well past months;* so please don't send s other people's references to earnings reported for the year ending last June, asking us to make them jibe with this table.

Stocks which show no earnings are arranged with regard to their price and whether they are common or preferred. We shall be glad to receive criticisms, suggestions or corrections.

Since the April number of THE TICKER appeared, in fact, while it was in press, a very marked readjustment in prices took place. This of itself would have produced a number of changes in position among the various stocks. But in addition, many roads reported widely varying earnings. A certain company, for example, showed a decrease of $320,000 net in one month and $500,000 decrease the next month. Others, like Atchison and L. & N. are making tremendous increases. All these factors tend to alter future estimates and shift the leadership as well as the relative position of those which follow.

CHICAGO & ALTON common made a splendid response to its statistical position, as shown in last month's TICKER. Even when figured at a 12 point higher

price, it is still in a very strong position. Its earnings are not showing quite the same ratio of increase, so taking these two factors into consideration we find that the stock has dropped back into second place.

ATCHISON's tremendous gains in both gross and net have enabled it to jump from sixth place into the leadership. It is entitled on this showing to sell very much higher. The price at which it is figured is only 4 points above the previous month, as compared with 10 to 15 points for many of the others. It looks as though Atchison had not yet "made its run."

SOUTHERN RAILWAY preferred has worked ahead of Union Pacific and into third place. Its present showing is not wholly due to reduced maintenance and transportation charges; gross earnings are showing a substantial increase, and at the current rate should shortly recover to normal. It will be remembered that this issue in 1905 and 1906 sold above par as a 5 per cent dividend payer.

UNION PACIFIC has increased its earnings on par, but has enjoyed a rise from 174 to 187 resulting in a lower rate on price—10.8 per cent, compared with 11.5 per cent. It now occupies fourth position.

MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE has not been able to follow the pace set by the other leaders and is now in fifth place.

LOUISVILLE & NASHVILLE has made a remarkable showing, due both to economies and increased earnings. This issue is now in the first rank.

Owing to allowance being made for the dividends on its stock holdings, TOLEDO, ST. LOUIS & WESTERN preferred is also found this month among the leaders. This road owns over half the combined common and preferred stock of Chicago & Alton and as Alton is now paying 4 per cent on both issues, the dividends paid into the Toledo treasury form an important part of the latter's income. Toledo preferred is entitled to not more than the 4 per cent, which is regularly paid.

NORFOLK & WESTERN has dropped back a couple of pegs as a result of a lower estimated rate of earnings on par, combined with an advance of five points in price.

SOUTHERN PACIFIC common is still in ninth place—same as last month.

ATLANTIC COAST LINE has improved its position several notches, due principally to increased earnings.

BALTIMORE & OHIO has advanced in price and its estimated earnings are a little reduced. Thus we find it in position No. 11 instead of No. 7.

ST. PAUL and MISSOURI PACIFIC are both one point nearer the top.

DELAWARE & HUDSON is moving up.

CANADIAN PACIFIC's rise and lower percentage has caused it to drop from No. 10 to No. 17.

COLORADO SOUTHERN and KANSAS CITY SOUTHERN are "progressing backward."

CHICAGO & NORTHWESTERN has improved its status.

CHESAPEAKE & OHIO has had an 8 point rise, and is not showing quite as heavy increases in earnings. It has fallen from eighteenth to twenty-ninth position.

The same is true of READING, which was No. 21 last month, compared with No. 31 now.

ST. LOUIS SOUTHWESTERN preferred is several positions down owing to a lower rate of earnings.

Many others have changed slightly, as shown by comparison. Hereafter the various stocks will be numbered, so that all changes in position may be seen at a glance.

The trend of railway earnings is still toward improvement.

Industrial and Other Stocks.

We should like to include in our table all the industrials and miscellaneous stocks on the list, but this would lead to unfair comparisons. Many companies have issued no report since December 31, 1907, and while this was the panic year, the majority of companies made a good showing. The full effects of the panic were reflected in the business done during 1908, hence we have included in the Industrial Bargain Indicator only those companies whose reports include at least nine months' operations during 1908.

TABLE SHOWING WHICH STOCKS ARE THE BEST PURCHASES NOW

BASED ON PAST, PRESENT AND FUTURE EARNING POWER AS COMPARED WITH MARKET PRICE

RAILROADS

No.		Est. rate present earn. on par.	Price Apl. 7, '09.	Earnings on price.
1	Atchison common	12.6	107	11.8%
2	Chicago & Alton common	8.3	72	11.5
3	Southern Railway preferred	7.4	65	11.4
4	Union Pacific common	20.3	187	10.8
5	Minn., St. P. & S. S. M. common	15.4	145	10.6
6	Louisville & Nashville	13.2	135	9.8
7	Toledo, St. L. & Western preferred	6.8*	70	9.7
8	Norfolk & Western common	8.1	91	8.9
9	Southern Pacific common	9.7	122	8.0
10	Atlantic Coast Line	9.7	122	8.0
11	Baltimore & Ohio common	8.9	112	7.9
12	St. Paul common	11.3	150	7.5
13	Missouri Pacific	5.5	73	7.5
14	Delaware & Hudson	13.2	181	1.3
15	Great Northern	10.1	147	6.9
16	Pennsylvania	8.8	134	6.6
17	Canadian Pacific	11.4	176	6.5
18	Colorado & Southern common	4.	63	6.4
19	Northern Pacific common	8.8	147	6.0
20	Minneapolis & St. L. pfd	5.1	86	5.9
21	Pitts, Cin., Chicago & St. Louis common	5.4	93	5.7
22	Brooklyn Rapid Transit	4.1	76	5.4
23	Chicago & Northwestern common	9.8**	182	5.4
24	Toledo, St. Louis & Western common	2.8	52	5.4
25	Ontario & Western	2.4	47	5.1
26	Denver & Rio Grande preferred	4.5	88	5.1
27	Illinois Central	7.4	146	5.1
28	Kansas City Southern common	2.3	46	5.0
29	Chesapeake & Ohio	3.5	73	4.8
30	New York Central	6.1	130	4.7
31	Reading common	6.3	138	4.6
32	Southern Railway common	1.2	26	4.6
33	N. Y., New Haven & Hartford	5.6	165	3.4
34	Wisconsin Central preferred	2.7	88	3.1
35	Cleve., Cin., Chicago & St. Louis common	2.	75	2.7
36	St. Louis Southwestern preferred	1.3	55	2.4
37	Erie 1st preferred	1.1	45	2.4
38	Missouri, Kansas & Texas common	.0	42	.0
39	Texas Pacific	.0	33	.0
40	Erie 2d preferred	.0	35	.0
41	Wabash preferred	.0	47	.0
42	Rock Island preferred	.0	66	.0
43	Wabash common	.0	18	.0
44	St. Louis Southwestern common	.0	24	.0
45	Rock Island	.0	25	.0
46	Erie common	.0	29	.0
47	Denver & Rio Grande common	.0	49	.0
48	Wisconsin Central common	.0	53	.0
49	Minneapolis & St. Louis common	.0	56	.0
50	Iowa Central preferred	Deficit	58	.0
51	Iowa Central common	Deficit	29	.0
52	Duluth, South Shore & Atl. preferred	Deficit	32	.0
53	Duluth, South Shore & Atl. common	Deficit	17	.0

*Allowing for divs. on holdings of Alton stocks.
**Allowing 10 per cent on preferred.

INDUSTRIALS, &c.

Including Only Those Which Have Reported Since October 1, 1908

Date of report.	Position.		Earned on par.	Price Apl. 8, '09.	Earned on price.
Dec. 31, 1908.	1	Am. Tobacco com............	46.3%	395	11.7
Dec. 31, 1908.	2	U. S. Realty..................	8.2	75	11.0
Dec. 31, 1908.	3	Republic Iron & Steel pfd.....	7.9*	74	10.7
Oct. 31, 1908.	4	Am. Smelt. & Ref. com.......	8.4	90	9.3
Jan. 31, 1909.	5	Union Bag & Paper pfd......	6.2*	69	9.0
Dec. 31, 1908.	6	Am. Can pfd.................	6.6	74	8.9
Dec. 31, 1908.	7	U. S. Steel com..............	4.2	51	8.2
Oct. 31, 1908.	8	Am. Ice Securities...........	3.1	40	7.7
Dec. 31, 1908.	9	Am. Telephone & Telegraph.	10.	138	7.2
Dec. 31, 1908.	10	National Biscuit com.........	7.3	104	7.0
Dec. 31, 1908.	11	People's Gas	7.8	117	6.7
Dec. 31, 1908.	12	North American	4.8	82	5.9
Dec. 31, 1908.	13	Am. Sugar Ref. com.........	7.5	135	5.6
Dec. 31, 1908.	14	Railway Steel Springs pfd...	5.6	100	5.6
Feb. 1, 1909.	15	Mackay com.................	4. †	78	4.9
Nov. 30, 1908.	16	Pacific Coast 2d pfd.........	4.4	95	4.6
Oct. 31, 1908.	17	Am. Car & Foundry com....	2.2	50	4.4
Oct. 31, 1908.	18	Sloss-Sheffield com.	4.9	112	4.4
Dec. 31, 1908.	19	Central Leather com.	1.3	30	4.3
Dec. 31, 1908.	20	Tennessee Copper (par $25).	6.5	$42	3.8
Dec. 31, 1908.	21	Am. Woolen pfd.	3.7	100	3 7
Dec. 31, 1908.	22	N. Y. Air Brake.............	2.4	88	2.7
Dec. 31, 1908.	23	Pressed Steel Car pfd........	1.2	98	1.2
Dec. 31, 1908.	24	Am. Can com................	.0	8	.0
Jan. 31, 1909.	25	Union Bag & Paper com......	.0*	11	.0
Dec. 31, 1908.	26	Republic Iron & Steel com...	.0*	23	.0
Dec. 31, 1908.	27	Am. Woolen com............	.0	33	.0
Dec. 31, 1908.	28	Pressed Steel Car. com......	.0	38	.0
Dec. 31, 1908.	29	Railway Steel Springs com...	.0	40	.0
Nov. 30, 1908.	30	Pacific Coast com............	.0	95	.0
Jan. 31, 1909.	31	Am. Steel Foundry com......	Deficit	38	.0

*Preferred is cumulative and in arrears.
†Only draws from sub. cos. enough for 4% divs.

The great majority of industrials make but one report each year; therefore future earnings cannot be estimated, as is done with the railroads. We will, however, give the date of the last report, and by the aid of our Investment Digest the general trend of earnings may be judged.

The figures this month show that the highest priced stock is the cheapest.

AMERICAN TOBACCO common earned last year 46.3 per cent on par, which, on a price of 395, is 11.7 per cent. The stock is traded in on the curb, but the company's preferred stock and bonds are listed.

U. S. REALTY stands next. While public interest in this stock is small, its business is about as substantial as the New York City skyscrapers, which form its principal assets.

REPUBLIC IRON & STEEL preferred shows up well. This is a cumulative stock 7 per cent in arrears.

U. S. STEEL common occupies a prominent position, although figured at 51. It remains to be seen how prospective tariff legislation will affect it, as well as the other steel stocks.

A number of industrial issues are selling at prices based more on prospective than past earnings. We trust the time will come when regular and uniform monthly reports will be available. This would add much to the stability of these stocks, owing to the increased amount of confidence engendered in the minds of investors.

Notes on Copper

Immediate Future of the Metal and Probable Effect on the Stocks

By "SNAVE"

MUCH has been written concerning the copper industry, and much will continue to be written; statistics will be compiled to show what has been, which figures can be secured from scores of sources, showing the world's production and apparent consumption, together with average prices and other details.

Statistics are valuable, *per se,* much more for some commodities than others. They have a disadvantage, however (and not an unimportant one), in only presenting a concrete set of figures or comparisons, with no explanations as to the co-existent conditions which surrounded and produced the differences shown by the tabulations. Of course, I realize that one advantage of statistics is in their conciseness, and any digression from the simple statements of facts clouds the desired effect.

If the saying that "history repeats itself" be applied to the stock market it would mean that events are cyclic, but, unless one is a good historian the events of to-day carry little suggestion of a connecting past. An important thing to remember is that if events are cyclic there is always ground ahead to travel as well as that already covered, before the cycle is complete, the amount to be traveled depending upon the point in the journey already reached. Events may be what are termed cyclic, but they do not always move in a circle. Also, inasmuch as the numerous stocks traded in may be classified into eight or ten groups, they may be likened to our solar system—all moving generally in a given direction, but each having an independent movement peculiar to itself, both as to direction and duration of its individual cycle. For instance, the past eighteen months has seen a rise in all classes of stocks; some of these hold their gain extremely well and are destined for higher figures, as they travel in a large orbit; others, traveling in a smaller orbit may have already reached their perihelion and are in the descendent. Influences and causes peculiar to these latter stocks have produced but slight effect upon the stocks of the other groups. Therefore, each group of stocks should be studied in the light of its own governing characteristics, which is much more important to the trade than the general movement, which produces but a sympathetic and temporary change.

In considering Copper stocks, the peculiar conditions attached should be accurately gauged, in order to determine, if possible, the point now reached in the cycle of their movements. No class of stocks requires more careful watching than mining stocks. The standard railroads and industrials have a set dividend, particularly in the preferred shares, which dividend is practically assured from year to year, with, perhaps, a slight change in panic times. The investor is nearly certain to receive a uniform rate upon his money, and is able to adjust his personal affairs with some degree of certainty. Copper stocks, however, carry no such assurance, and, to an investor who buys one year and receives, say 6 per cent. interest, the next year 8 per cent., the next year 6 per cent., the next year 4 per cent. and then, perhaps, finds his dividends passed altogether, the prospect is far from pleasing, especially if the market price of his stocks has also decreased 50 per cent. or more. He would have been much better off had he invested in some standard railroad stock netting about 5 per cent., even if in bad times his dividends has been reduced somewhat. "A half

a loaf is better than none" at all times.

To an investor, the erratic changes in dividends of copper stocks are discouraging, but, to the speculator who expects to receive his dividends on the market changes in the price of stock, these same conditions provide excellent means for much profit. An investor who buys copper stocks for the dividends and then goes about his business, is not expected to keep in touch with affairs bearing on values as closely as the speculator, whose success depends upon keeping his finger upon the pulse of trade at all times. However, there are many speculators who cannot disassociate copper stocks from the balance of the list; in other words, they cannot see the movement such stocks have independently of the general movement. Their erratic movements give great chance for profit and the same erratic movements provide opportunity for great losses. Hence, we very frequently see the statement made, in a review of the day's financial news, whether the trend of stocks was up or down, that "copper stocks moved contrary to the general market." This statement at times will, of course, be found to apply to other classes of stocks, but more often to the metals, which proves their independency of movement. In fact, copper stocks, considered in their relation to the whole, are meteoric rather than planetary, in their movements.

Statistics will show that the average price of copper for twenty-eight years past is about 13 cents per pound. Also notice that after a period of high prices the drop has been pronounced, and the higher the price the greater the drop. It might be also well to consider the years of low averages intervening between the high periods. The advocates of cycle movements would find in the following, something upon which they can base their arguments. If we take the year 1894, which had the lowest average price of copper so far obtained, and use this as a pivotal point, and compare the averages for thirteen years prior and subsequent thereto, we arrive at the figures in the next column.

1894 average price 9.520c.

1895	average	10.730	1893	average	10.750
1896		10.980	1892		11.560
1897		11.360	1891		12.760
1898		12.050	1890		15.600
1899		17.760	1889		13.490
1900		16.650	1888		16.775
1901		16.720	1887		13.850
1902		12.160	1886		11.063
1903		13.720	1885		10.838
1904		13.010	1884		13.000
1905		15.890	1883		16.500
1906		19.616	1882		19.125
1907		20.004	1881		18.188

These figures form a complete cycle, full of coincidences. If you are a believer of this faith, without considering governing causes, where would you place the year 1908, with its average of 13.420c.? According to the cycle its place would fail to correspond with the year 1884, which followed several years of high prices, and, if precedent counts for anything, we are destined to have several years of lean prices. However, this article is not to deal with statistics as having any bearing on the present status of the copper industry, as it is the writer's belief that the copper industry, in the meteoric drop in price of the metal from 26c. in March, 1907, to 12c. in October of the same year, has entered upon a new era; that the years 1881 to 1907 are complete in themselves, and the years prior to 1881 comprise a formative period not entitled to comparison. I leave it to others to analyze the past, with that I have very little to do, except, from time to time, some reference may be made to emphasize a point.

A few important causes for my belief in this new era may be cited. The political tendencies of the present are all towards publicity. The public has a right to demand, and will continue to demand, more and more details pertaining to corporations in which they are interested as stockholders.

The consuming public is better educated than ever before, to a realization of economic conditions. The "muckraking" of the past few years has not been for naught. Unconsciously it has made impressions which will influence future actions. It will be many years before the law of supply and demand is ignored as it has been recently in the cases of the copper and the steel industries.

Science and invention are working hand in hand to reduce the cost of extracting and refining of coppers, and

with the increased knowledge the public has of the costs of producing copper, it will be somewhat of a task to compel them to buy the metal at a profit of 100 per cent. to the mines.

New fields of wondrous richness are constantly being discovered, and each new field seems to carry with it a statement of a lower cost of production.

Any increase in the price of the metal always stimulates production; mines with the lowest cost will endeavor to produce a maximum, and they would make the most money. This is good business as long as the demand continues, but when the demand is less than the supply, it does not take long to accumulate a surplus and the inevitable happens. The price of the metal drops more or less until a level is reached where there is either a resumption of buying or some curtailment of production. It is this latter alternative which will act as a safety valve to prices. If it were possible to get every copper producing company in the world to enter into an agreement to pool their output, and the world's consumption were distributed *pro rata* among them, we would have a condition where the price could be maintained arbitrarily at some figure where all the mines would make as much money as if they were running full speed at a lower price. It is obvious that if a mine makes 2c. a pound profit on 12c. copper, on a 15c. copper market, it would make as much money on less than half the production (gold and silver values included).

But a mine with a cost of 7 or 8c., with vast ore reserves and an up-to-date equipment, will think twice before it will allow its hands to be tied for the benefit of some more poorly equipped rival. Also, any such scheme would lead to further development and new mines would spring up which would have to be taken care of. The idea is possible, but not practicable. It was tried some years ago by a French syndicate, which collapsed because it did not limit the production from the several mines, and production increased so rapidly that the syndicate was swamped with metal.

Therefore, I repeat, that the fact of there being many new and important producing mines capable of turning out copper at a lower cost than ever before, who will be unwilling to sacrifice themselves for their older rivals, will effectually prevent any considerable curtailment of present production by agreement. Hence, we are confronted with a condition where either prices will drag along with a tendency to respond to good and bad news like a hairspring, or else consumption will have to increase by leaps and bounds to overtake the present enormous surplus. At the present writing, April 1st, there does not seem to be any effort toward a curtailment of production, which either indicates unbounded faith in the future of the metal to be consumed, or unbounded faith in the supply of cheap money which can be used for loans.

Consumption of copper at the present time is by no means as rosy as some newspaper reports would have it. By this I mean copper actually purchased for consumption for immediate use. During the year 1908 there were half a dozen periods when it looked as if the consumption had come to stay, but after the temporary buying power was satisfied the price eased off again under lack of buying orders. Considerable copper was purchased prior to, and immediately following Mr. Taft's election, but most of this was speculatively purchased, both by speculators abroad and by manufacturers at home, who expected a large rush of orders contingent upon the election. However, business revival was short-lived, and millions of pounds of the copper purchased the latter part of October and in November, at 14c. and over, are now being held awaiting an opportunity to be disposed of at a price which will let the purchasers out whole. All this copper has been "sold" according to the reports of the selling agencies; so it is as far as they are concerned, but it should form a part of the legitimate surplus as much as any copper lying in the yards of the refineries. It might be a surprise to some people to know that there are some concerns to-day who would like someone to explain how they can dispose of 25c. copper they still have on hand, purchased in 1907, so that there will be

no loss. There were also considerable cancellations of orders for this 25c. copper which had been purchased during the stampede when people thought copper was going to replace silver. This would indicate that there was some copper purchased during the early part of 1907 when prices were 25c. and over, that was bought speculatively. Many manufacturing concerns realize this where it hurts the most, and they are going to be extremely careful how they again load up with raw material for which they have no orders. The wounds of 1907 have left bright red scars, and red is a danger signal.

It is a fact that the American consumers will not buy on a declining market, while our foreign friends do, and continue to buy on a scale down. By this I mean the rank and file of American buyers. The result is that when copper really does get to a point where it is cheap the large consumers will buy a good lot at the lowest price, which stiffens up the market, and we then receive the rosy reports of the good business coming in and the price goes up an eighth or a quarter. Then the trailers come along and are scared to death that all the copper in the market is absorbed and they commence to buy on an ascending scale. After their needs are supplied, comes another period of stagnation until the copper purchased on the last rally has been consumed. People who watch trade reports must not be misled by the reports of sales of copper; there is always a consuming power of some kind and they must always buy. The thing to watch is the proportion of buying power to the total production, and a realization that the larger portion of the copper now being sold is going abroad for speculative purposes. Millions of pounds of this speculatively held copper were bought at higher prices than exist to-day. Millions of pounds have been purchased on a scale down or sent abroad as collateral for loans. Therefore, each rise in the price of the metal of any extent will bring out a liquidation of these holdings, which will have an effect upon the quoted prices in London. Such sales of speculative copper, however, may not go into consumption but will be taken on by others for speculative purposes at a higher level than now. In fact it cannot be absorbed until consumption overtakes the demand.

The conditions which today militate against any sustained price of copper metal, are the following:

The enormous stocks of copper, both in the states and abroad, which are awaiting but a slight rise to liquidate.

The monthly increase in these stocks as shown by the reports of the producers.

The lack of business revival which was expected after election, together with adverse trade conditions worldwide.

The evident determination of consumers, in face of the present political disturbances and their increased knowledge of economic conditions, to only buy from hand to mouth, thereby safeguarding themselves from the disastrous results of too much optimism experiences on several occasions during the past three years. This will prevent any large sales from appearing on the reports of the producers and will cause consumption to still run under the supply, which will increase the stocks unsold from month to month which increase will have a bearish tendency and still further clinch the determination of the consumer to buy as he is.

The growth of production from mines with low cost figures, to whom the present price returns a fair profit, and who do not seem disposed to enter into any agreement to curtail production.

The conditions which will have a tendency to bull prices are:

Faith in the future. This, however, should interest the investor rather than the speculator. There will be a gradual return of buying power, which will coincide with production, at some time or other not yet universally agreed upon. It will be a conservative increase, and to foster it to the desired end the producers and sellers of copper must pursue a conservative course

in their prices, as the buying power is now very timid.

Cheap money. Copper purchased at 12c. for speculation would, if sold at 14c., return 17 per cent. on the money. It enables loans to be made on the surplus which permits the mines to continue production pending a return to the normal conditions.

The strength of the manipulative forces controlling the copper industry. This is of interest to the speculator and should be most carefully watched. It is one thing to know that a stock has no right to sell where it is, based upon actual trade conditions, and it is another to back that opinion by going short of stocks. There may be more money in catching shorts than catching orders for copper, with the plethora of money loaning at present rates.

The future of copper, the metal, for the next three or four months, seems to be within a range of 12½c. to 13½c., showing a very nervous state, and susceptibility to respond quickly to good or bad news. Speculators in stocks, however, should not so much concern themselves with the spurt in prices as with monthly averages as given each month, i. e., they should notice whether or not a rise in price is sustained long enough to affect the monthly average. A quick rise may exert a quick change in quotations of stocks, but if the quotations are not sustained the drop in same will cause a drop in the price of the stock. A continuance of the higher price, however, will mean a higher return to the mines on the monthly average, which means more earnings, and should tell in the stock quotations.

A final word to investors and speculators. Disregard all "past performances"; consider the price of copper as between 12½ and 13½c. for the balance of the year; get the cost of producing the copper of a mine in which you contemplate investing, and be sure you get the cost laid down in New York, and not the mine cost; see what profit your mine will make based on these figures and its present production; watch out for the increase in production if it can produce at a profit at the above figures; notice carefully any steps being taken to reduce costs. Any price over the above figures is bullish for all copper stocks, and any price under them is not necessarily bearish, for some of them, as your figures will show. Study conditions thoroughly and get correct information. Look at the copper industry through the twin glasses of supply and demand, and you may, perhaps, secure a clear view of the meteors.

IMPORTANT ANNOUNCEMENT

In future The TICKER will be mailed to regular subscribers one or two days before the magazine appears on the news stands. In view of the extreme value of our Bargain Indicator, we believe that those who subscribe by the year in advance are entitled to this advantage.

Studies in Tape Reading

By Rollo Tape

Author of "Powers Behind the Market," "The Machinery of Manipulation," &c.

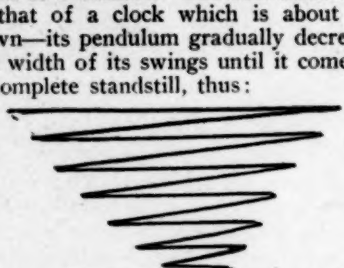
VII. Dull Markets and Their Opportunities

MANY people are apt to regard a dull market as a calamity. They claim: "Our hands are tied; we can't get out of what we've got; if we could there'd be no use getting in again, for whatever we do we can't make a dollar."

Such people are not Tape Readers. They are Sitters. They are Billikens ex-grin.

As a matter of fact, dull markets offer innumerable opportunities and we have only to dig beneath the crust of prejudice to find them.

Dulness in the market or in any special stock means that the forces capable of influencing it in either an upward or a downward direction have temporarily come to a balance. The best illustration is that of a clock which is about run down—its pendulum gradually decreases the width of its swings until it comes to a complete standstill, thus:



How the market pendulum comes to a standstill

Now turn this on its side and you see what the chart of a stock or the market looks like when it reaches the point of dulness.

These dull periods occur most frequently after a season of delirious activity on the bull side. People make money, pyramid on their profits and glut themselves with stocks at the top. As everyone is loaded up, there is comparatively no one left to buy, and the break which inevitably follows would happen if there were no bears, no bad news or anything else to force a decline.

Nature has her own remedy for dissipation. She presents the débauché with a thumping head and a moquette tongue. These tend to keep him quiet until the damage can be repaired.

So with these intervals of market rest. Traders who have placed themselves in a position to be trimmed are duly trimmed. They lose their money and (temporarily) their nerve. The market, therefore, becomes neglected. Extreme dulness sets in.

If the history of the market were to be written, these periods of lifelessness should mark the close of each chapter. The reason is: The factors which were active in producing the main movement, with its start, its climax and its collapse, have spent their force. Prices, therefore, settle into a groove, where they remain sometimes for weeks or until affected by some other powerful influence.

When a market is in the midst of a big move, no one can tell how long or how far it will run. But when prices are stationary, we know that *from this point* there will be a pronounced swing in one direction or another.

There are ways of anticipating the direction of this swing. One is by noting the technical strength or weakness of the market, as described in our previous article. The resistance to pressure mentioned as characteristic of the dull period in March, 1909, has been followed by a pronounced rise, and at this writing the leading stocks are many points higher. This is particularly true of Reading, in which the shakeouts around 120 (one of which was described) were frequent and

positive. When insiders shake other people out it means that they want the stock themselves. These are good times for us to get in, for then we will enjoy having Mr. Frick and his friends work for *us*.

When a dull market shows its inability to hold rallies, or when it does not respond to bullish news, it is technically weak, and unless something comes along to change the situation, the next swing will be downward.

On the other hand, when there is a gradual hardening in prices; when bear raids fail to dislodge considerable quantities of stock; when stocks do not decline upon unfavorable news, we may look for an advancing market in the near future.

No one can tell when a dull market will merge into a very active one; therefore the Tape Reader must be constantly on the watch. It is foolish for him to say: "The market is dead dull. No use going downtown to-day. The leaders only swung less than a point yesterday. Nothing in such a market."

Such reasoning is apt to make one miss the very choicest opportunities, viz., those of getting in on the ground floor of a big move. For example: During the aforesaid accumulation in Reading, the stock ranged between 120 and 124½. Without warning, it one day gave indication (around 125) that the absorption was about concluded, and the stock had begun its advance. The Tape Reader, having reasoned beforehand that this accumulation was no piker's game, would have grabbed a bunch of Reading as soon as the indication appeared. He might have bought more than he wanted for scalping purposes, with the intention of holding part of his line for a long swing, using the rest for regular trading.

As the stock drew away from his purchase price he could have raised his stop on the lot he intended to hold, putting a mental label on it to the effect that it is to be sold when he detects inside distribution. Thus he stands to benefit to the fullest extent by any manipulative work which may be done. In other words, he says: "I'll get out of this lot when Mr. Frick and his friends get out of theirs."

He feels easy in his mind about this stock, because he has seen the accumulation and knows it has relieved the market of all the floating supply at about this level.

This means a sharp, quick rise sooner or later, as little stock is to be met with on the way up. If he neglected to watch the market continuously and get in at the very start, his chances would be greatly lessened. He might not have the courage to take on the larger quantity.

On Friday, March 26, 1909, Reading and Union were about as dull as two gentlemanly leaders could well be. Reading opened at 132¾, high was 133¼, low 132¼, last 132⅝. Union's extreme fluctuation was ⅝—from 180⅝ to 181¼. Activity was confined to such "pups" as Beet Sugar, Mexican Central and Kansas City Southern.

The following day, Saturday, the opening gave every indication that the previous day's dulness would be repeated, initial sales showing only fractional changes. Copper, B. & O., Wabash pfd. and MOP were up ⅜ or ½. Union was ⅛ higher and Reading ⅛ lower. Beet Sugar was down ⅝, with sales at 32.

Reading showed **1100 . 132½ . 800 . ⅜**, Union **800 . 181 . 400 . 181 . 200 . ⅛ . 400 . 181**. A single hundred Steel at **45⅛**. B. & O. **109⅞ . ¾**. Reading **132½**. Beet Sugar **31¾ . 400 . ⅞**. Union **800 . 180⅞**. Steel **1000 . 45**. Beet **800 . 32**. Steel **1500 . 45**. Reading **132⅝**. Steel **44⅞**. Market dead. Mostly 100-share lots.

Reading **1600 . 132½**. Steel **400 . 45**. Beet Sugar looks good on the bull side, **300 . 32¼ . 700 . ⅜**. Union **200 . 180⅞**. Reading **500 . 132⅜**. Union **300 . 180¾**.

10.15 A. M.—American Sugar now responds slightly to the strength in Beet Sugar, but we should rather not see the cart before the horse. Sugar **200 . 130⅞ . 600 . 131**. Beet **32½ . 600 . ⅝**. This stock holds the spot-light. Others inanimate.

Ah! Here's our cue! Reading **2300 . 132½ . 2000 . ½ . 500 . ⅝**. Coming out of a dead market, quantities like these taken at the offered prices can mean only one thing, and without quibbling the Tape Reader takes on a bunch of Reading "at the market."

Whatever is doing in Reading, the rest of the market is slow to respond, although N. Y. Central seems willing

to help a little—500 . 127½ (after ¼). Beets are up to 33¼. Steel is 45⅛, and Copper 71¼—a fraction better.

Reading 300 . 132½. Steel 1300 . 45⅛ . ¼. Union 181. Reading 300 . 132⅝. Beets 33½. Union 700 . 181⅛. N. Y. Central 127⅝ . 600 . ¾ . ⅞. There's some assistance!

Union 900 . 181⅛. Reading 132¾. Copper 700 . 71½. Reading 800 . 132⅞ . 133 . 900 . 133 . 1100 . ⅛. Central 300 . 127¾. Union 400 . 181⅛ . 300 . ¼. Reading 1500 . 133¼ . 3500 . ½. Not much doubt about the trend now. The whole market is responding to Reading, and there is a steady increase in power, breadth and volume. The rapid advances show that short covering is no small factor. Union 400 . 181⅜ . 700 . ½ . 400 . ⅝.

It looks as though a lot of people are throwing their Beet Sugar and getting into the big stocks. St. Paul, Copper and Smelters begin to lift a little.

Around 11 A. M. there is a brief period of hesitation, in which the market seems to take a long breath in preparation for another effort. There is scarcely any reaction and no weakness. Reading backs up a fraction to 133 ¼ and Union to 181⅜. There are no selling indications, so the Tape Reader stands by his guns.

Now they are picking up again—Reading 133⅜ . ½ . ⅝ . ¾. Union 181⅝. Central 128⅛ . 700 . ¼. Atchison 1000 . 104½ . 600 . ⅝. Northern Pacific is complaisant, 141½ . ⅝. Union 1000 . 181½ . 3500 . ⅝ . 2800 . ¾ . 2800 . ⅞ . 4100 . 182. Steel 45½. Southern Pacific 121. St. Paul 146. Reading 2100 . 133⅞ . 1100 . 134 . 1700 . ⅛.

From then right up to the close it's nothing but bull, and everything closes within a fraction of its highest. Reading makes 134⅜, Union 183, Steel 46⅛, Central 128⅞, and the rest in proportion. The market has gained such headway that it will take dire news to prevent a high, wide opening on Monday, and the Tape Reader has his choice of closing out at the high point or putting in a stop and taking his chances over Sunday.

So we see the advantage of watching a dull market and getting in the moment it starts out of its rut. One could almost draw lines on the chart of a leader like Union or Reading (the upper line being the high point of its monotonous swing and the lower line the low point) and buy or sell whenever the line is crossed. For when a stock shakes itself loose from a narrow radius it is clear that the accumulation or distribution or resting spell has been completed and new forces are at work. These forces are most pronounced and effective at the beginning of the new move—more power is needed to start a thing rolling than to keep it going.

Some of my readers may think I am giving illustrations after these things happen on the tape, and that what a Tape Reader *would have done* at the time is problematical. I therefore wish to state that my tape illustrations are taken from the indications which actually showed themselves when they were freshly printed on the tape, at which time I did not know what was *going* to happen.

There are other ways in which a trader may employ himself during dull periods. One is to keep tab on the points of resistance in the leaders and play on them for fractional profits. This, we admit, is a rather precarious occupation, as the operating expenses constitute an extremely heavy percentage against the player, especially when the leading stocks only swing a point or so per day.

But if one chooses to take these chances rather than be idle, the best way is to keep a chart on which should be recorded every ⅛ fluctuation. This forms a picture of what is occurring and clearly defines the points of resistance, as well as the momentary trend. In the following chart the stock opens at 181¼ and the first point of resistance is 181½. The first indication of a downward trend is shown in the dip to 181⅛, and with these two straws showing the tendency, the Tape Reader goes short "at the market," getting, say, 181⅛ (we'll give ourselves the worst of it).

After making one more unsuccessful attempt to break through the resistance at 181½, the trend turns unmis-

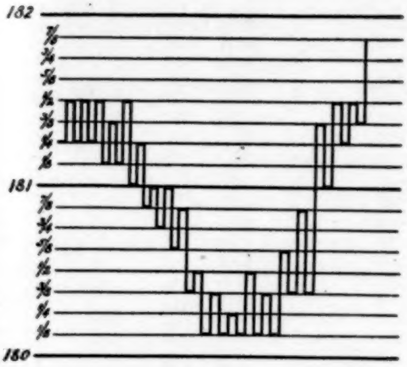


Chart showing points of resistance in a dull market

takably downward, as shown by an almost unbroken series of lower tops and bottoms. These indicate that the pressure is heavy enough to force the price to new low levels, and at the same time it is sufficient to prevent the rally going quite as high as on the previous bulge.

At 180⅛ a new point of resistance appears. The decline is checked. The Tape Reader must cover and go long. The steps are now upward and as the price approaches the former point of resistance he watches it narrowly for his indication to close out. This time, however, there is but slight opposition to the advance, and the price breaks through. He keeps his long stock.

In making the initial trade he placed a "double" stop at 181⅝ or ¾, on the ground that if his stock overcame the resistance at 181½ it would go higher and he would have to go with it. Being short 100 shares, his double stop order would read: "Buy 200 at 181⅝ stop." Of course the price might just catch his stop and go lower. These things will happen, and anyone who cannot face them without becoming perturbed had better learn self control.

After going long around the low point, he should place another double stop at 180 or 179⅞, for if the point of resistance is broken through after he has covered and gone long, he must switch his position in an instant. Not to do so would place him in the attitude of a guesser. If he is playing on this plan he must not dilute it with other ideas.

Remember this method is only applicable to a very dull market, and, as we have said, is precarious business. We cannot recommend it. It will not as a rule pay the Tape Reader to attempt scalping fractions out of the leaders in a dull market. Commissions, tax stamps and the invisible eighth, in addition to frequent losses, form too great a handicap. There must be wide swings if profits are to exceed losses, and the thing to do is, wait for good opportunities. "The market is always with us" is an old and a true saying. We are not compelled to trade and results do not depend on *how often* we trade, but on *how much money* we make.

There is another way of turning a dull market to good account, and that is by trading in the stocks which are temporarily active, owing to manipulative or other causes. The Tape Reader does not care a picayune what sort of a label they put on the goods. Call a stock "Harlem Goats preferred" if you like, and make it active, preferably by means of manipulation, and the agile Tape Reader will trade in it with profit. It matters not to him whether it's a railroad or a shooting gallery; whether it declares regular or "Irish" dividends; whether the abbreviation is X Y Z or Z Y X—so long as it furnishes indications and a broad market on which to get in and out.

Take Beet Sugar on March 26, 1909, the day on which Union and Reading were so dull. It was a pipe to beat Beet Sugar. Even an embryo Tape Reader would have gone long at 30 or below, and as it never left him in doubt he could have dumped it at the top just before the close, or held it till next day, when it touched 33½.

Am. Beet Sugar

700	29¼	600	30⅜
200	29⅜	1100	30½
900	29¼	400	30⅜
500	29⅜	100	30¼
700	29½	700	30⅜
200	29⅝	100	30½
900	29¾	200	30⅜
1100	29⅞	1300	30¼
1000	30	200	30⅜
500	30⅛	300	30½
100	30¼	400	30⅝
100	30⅜	100	30¾
100	30¼	100	30⅝

100	30½
100	30⅝
600	30½
100	30⅝
400	30½
11 A. M.	
200	30½
400	30⅝
900	30¾
100	30⅝
200	30½
200	30⅝
100	30½
100	30⅝
600	30½
500	30⅝
500	30½
100	30⅝
100	30¼
100	30⅝
12 M.	
200	30⅝
700	30⅛
100	30⅝
1 P. M.	
200	30¾
100	32⅝
500	30½
200	30⅝
1000	30⅝
700	30⅞
600	31
600	31⅛
300	31¼
200	31⅜
100	31¼
400	31⅜
400	31½
100	31⅝
200	31⅜
200	31½
300	31⅝
200	31½
200	31⅝
200	31½
300	31⅝
2 P. M.	
100	31⅝
700	31¾
700	31⅞
400	32
600	32¼
600	32⅛
900	32¼
300	32⅛
400	32¼
800	32⅜
1000	32½
200	32⅝

On March 5, 1909, Kansas City Southern spent the morning drifting between 42¾ and 43½. Shortly after the noon hour the stock burst into activity and large volume. Does any sane person suppose that a hundred or more people became convinced that Kansas City Southern was a purchase at that particular moment? What probably started the rise was the placing of manipulative orders, in which purchases predominated. Thus the sudden activity, the volume and the advancing tendency gave notice to the Tape Reader to "get aboard." The manipulator showed his hand and the Tape Reader had only to go along with the current.

Kansas City South.

500	43⅜
100	43½
10	43½
200	43⅜
200	43½
100	43⅜
100	43½
100	43¼
200	43⅛
500	43
200	43⅛
500	43¼
400	43⅛
100	43¼
100	43⅛
200	43
400	42⅞
300	43¼
100	43
11 A. M.	
200	43
100	42⅞
600	43
25	43¼
100	43¼
100	43⅜
100	43¼
300	43⅛
500	43¼
100	43⅜
400	43¼
200	43⅛
12 M.	
100	43⅜
500	43½
100	43⅝
400	43½
200	43⅝
1200	43¾
400	43⅞
2300	44
1300	44⅛
1400	44¼
400	44⅜
1500	44¼
100	44⅛
400	44
1800	44⅛
200	44
800	44⅛
400	44¼
1 P. M.	
200	44¼
800	44⅜
100	44¼
300	44⅜
600	44½
100	44⅜
600	44½
800	44⅝
200	44¾
300	44⅝
200	44¾
300	44⅝
700	44¾
900	44⅞
500	45
1800	44⅞
300	44⅝
2 P. M.	
200	44½
100	44⅜
1000	44½
300	44⅝
600	44¾
100	44⅝
500	44¾
1200	44⅞
200	45
100	44⅞
1500	45
700	45⅛
400	45¼
700	45⅛
700	45¼
300	45⅜
100	45¼
400	45⅜
900	45½
100	45⅝
700	45¾
700	45⅞
200	45¾
900	45⅞
1600	46
1400	46⅛
1000	46⅜
1300	46½
500	46⅝
200	46¾
500	46⅝
1700	46¾
300	46¾

The advance was not only sustained, but emphasized at certain points. Here the Tape Reader could have pyramided, using a stop close behind his average cost and raising it so as to conserve profits. If he bought his first lot at 44, his second at 45, and his third at 46, he could have thrown the whole at 46⅝ and netted $406.50 for the day if he were trading in 100-share units, or $2,032.50 if trading in 500-share units.

(*Continued in the June* TICKER.)

Administrative Aspects of Investments

And How English and German Investors are Protected by Law

By Frederick A. Cleveland, Ph.D.*

THE usual point of view of the investor, I think, has very little relation to what we may call the administrative aspects of investments. The investor, if he be a very conservative man, says to himself, "I want something good; I want something that is safe." And having satisfied himself regarding the current reputation as to the safety of a particular stock or bond or mortgage or class of mortgages, whatever it may be, he then says, "As between investment within that class, it is a matter of relative income"—so that his principle is the highest income compatible with safety, he depending on what we may call the reputation of the investment for his guide.

He takes up this reputation very much as you would gain impressions about an office-holder, or about a public person in the community. He does not go about it to find out directly anything about the investment. He reads something in the papers that says something about it; he asks his neighbor; he asks his broker; he asks his banker, "What do you think about Northern Pacific preferred?" or, "What do you think about first mortgage bonds of a certain kind?" After gaining an impression of the reputation of a certain class of investment, he then formulates his opinion as to how much he had better take, and whether or not he had better take more of this or less of that.

The real principle, so far as there is a principle involved, is the principle of the division of risk. In other words, he does not look critically into the investment character of a stock or bond; he does not look into the administration of the enterprise which issues this obligation; but, gaining this impression as a matter of current reputation, he invests a little in this and a little in that and a little in something else of that class.

Now that may sound rather frivolous, but I think that you will find, if you inquire carefully into this matter, that this principle is not peculiar to the small investor. The great savings banks, the great life insurance companies, act on very much the same principle. They buy from a circular that is issued by a broker; they buy from a statement, perhaps, which is the expression of opinion of somebody in whom he has confidence, not asking whether he has made any investigation. The principle which you will find operative in our great investment institutions is the principle of the division of risk. You will find it wherever there are investment institutions.

I do not wish to suggest that it is an erroneous principle for persons having money to invest to divide the risk, but rather, aside from any precaution that may be taken against unsound judgment, that inquiry be directed toward the ascertainment of facts upon which judgment may be based. And not only is this aspect of investments before us clearly, but also the question of the administration of one's investment; that is, we not only have the question of the administrative aspects of the concern issuing the stocks and bonds and mortgage to be considered before the purchase, but also the administration of the investment after the purchase by the investor himself. That side of investments is seldom brought to the attention of the public. A person having invested in bonds or stocks, it is considered an easy matter to administer on such an estate. But let me suggest to you some mistakes that

*Address delivered at West Side Branch Y. M. C. A., N. Y., February 10, 1909.

may be made—some mistakes that have been made.

I call to mind a large university which, some fifty years ago, had given to it as an endowment half a million dollars. The bequest was in the form of bonds. These bonds expired about fifteen years after the bequest. Upon expiration they were paid at par. They were reinvested in 20-year bonds at about 125. The income on these bonds was gradually used as it came into the treasury of the university for the purpose of supporting instruction in scientific work. At the end of twenty years they had paid to them the principal. But they did not notice at that time that the principal had been very much reduced. In other words, they only had about 80 per cent., or $400,000, that was paid back to them. This $400,000 was reinvested at a premium of about 20 per cent. At the end of twenty years that was paid. They found then that they had between $300,000 and $400,000. They suddenly awakened to the fact that their principal was decreasing all of the time. And this was not discovered with respect to this particular investment, but with respect to another investment that had been almost completely wiped out by such a process of utilization of capital for current expenses. In other words, the man on the Street, when he sells at 125, gives you an investment basis to purchase on. He says, "Here is an investment that you can get 4 per cent. out of." The person buying that, if he does not think of his investment in per cent., if the interest on the bonds purchased happens to be 5 per cent., is very apt to take that 5 per cent. into his income and spend it, not thinking that he is spending about 1 per cent. of his principal every year.

That does not apply alone to bonds, but to real estate. A large number of institutions have suffered very seriously on this account, institutions especially of the character of which I have just spoken. An investment is made in real estate, a large portion of which goes into a building. There is no thought that that building is depreciating. They keep it painted, they keep a roof on it, they keep the floors so that they can be used; and they charge up these current expenditures as current expenses of operation. But assuming that they repair that building—keep it in good condition—they leave out of consideration entirely the fact that that building is becoming obsolete, and for the purposes for which it was constructed—perhaps at the end of fifty or one hundred years—it will be useless. It may have been built as an old style factory, and newer methods require that they entirely rebuild that building.

It may, perhaps, be a question of railway construction—style of bridge. It may be a street railway construction, where electrical equipment has played so large a part within the last few years. Perhaps every ten years it was necessary to completely overhaul that investment from the point of view of the physical properties represented by it—to "scrap" the road when it was in fairly good condition. They keep the road up, they keep the rails replaced, they keep the cars in such condition that they are in perfect operation. But along comes a new style of rail, a new style of construction necessary by virtue of the fact that the old horse-car line is transformed into a cable line. Perhaps ten years from that time the cable road will be transformed into an underground electric road, and perhaps 50 per cent. of that investment becomes depreciated—absolutely useless — by virtue, not of wear and tear, but through what is known as obsolescence—a factor that is not taken into consideration at all in calculating what the expenses of maintaining and operating the property are.

Therefore, if we are looking to the investor's side, either from the point of view of properties which he may hold—of which he is the proprietor—or if we look upon the investor's interest in the property that is represented by a bond or stock interest or a mortgage interest, these questions must be considered before we can come to a conclusion with respect to such results as are stated in the current circulars that are put out by our railroads and by our street-car lines; by manufac-

turing companies and by different character of enterprises that may issue statements to the public or to their stockholders, whether these statements be as to earnings and expenses, or as to profit and loss, or as to capital account, balance sheet statements and surplus, or as to distribution in dividends. Whatever be the aspect of an enterprise presented through the financial statements, it is necessary for the person interested to inquire as to what has been the character of consideration given by the management to the up-keep of the property in estimating the earnings, expenses, profit and loss and capital surplus.

The administrative aspect of investments is not only suggested by the inquiries which I have just alluded to, but also by the character of organization which is provided under the law of corporations. While in American practice the capital estate (if we may so call it) is almost lost sight of, still in the management of railroads the manner of the protection of capital has scarcely been noticed. While the roadbeds have been kept up when they happen to have a surplus of funds and let go down when they happen to have uncertain or unfavorable results; while these matters have been solved by them in factory and in railroad management, and even in what we may call the municipal and government securities, yet it has been assumed as a matter of law that the persons responsible for the administration of the estate usually give instructions to account for the capital estates.

In British law this not only finds expression in the common principle of trusteeship (which applies equally to America), but in the statutory expression of trusteeship, and the requirements falling upon the trustee. If you will look into the British law, if you happen not to be familiar with it, you will find that not only the courts but the administrative officers of state are very careful in inquiring about what provisions are made to protect capital, and it is necessary to set up capital account as a distinct account. In the first place the persons in charge of the corporation are required to set out in one account the money received from stockholders and bondholders, as capital, and state to whom that capital was issued, as separate and distinct from the money received from operation, and the expenses incurred, with the results of operation noted with reference to this latter account. It is made not only a requirement of administration and a matter of trusteeship, but a law is provided that the stockholder shall be responsible for the enforcement of these principles of administration.

In other words, according to the British theory of law, the stockholders each year when they meet to elect officers, may also elect somebody to represent them as an auditor, who shall be independent, who shall have nothing to do with the management of the estate, who shall simply represent the stockholders, who shall examine and audit the account, and who shall have a right to all of the records and papers of the institution. He may call the officers in for examination, and shall report whether or not the statements as rendered are true statements. These auditors are made both civilly and criminally responsible for the truth of those statements. So that you have, according to the British law, a means whereby the law for the administration of an estate may be safeguarded and the stockholder may be protected, or, if not protected, the stockholder is to blame. Then, too, the law does not leave it entirely with the stockholder to say whether he shall have an auditor, for in case he fails to provide by election such an auditor, then the Board of Trade of London may appoint one, representing, we may say, the state in protecting those who fail to protect themselves. Therefore we find in English experience better results than we do in almost any other country.

If we go to Germany, where the government has been very paternalistic, where they have assumed to inquire very carefully after the interests of the stockholder, we find they are very careful not to permit stock to be floated until after it has had sufficient standing in the market to demonstrate

whether it is good, bad or indifferent. I say "floated"; I mean transferred after the first flotation. In other words, holding the first promoters responsible for bringing a concern on a paying basis before they are permitted to put their shares before the public and unload. While they have been very careful in guarding the stockholder, they have not achieved as good results as they have in Great Britain, where the British law has been the democratic principle of letting the stockholder take care of himself.

Now in providing a law under which the stockholder may take care of himself, however, it has been prescribed as a conditional precedent that the stockholder must take care of himself; that he must appoint somebody who shall vouchsafe the character of administration which is being carried on under the trustee of the stockholder—the officers. It is a condition precedent to the existence of the company that such an auditor must be elected by the stockholder, or in case of failure to do so, then appointed by the state. So that the English auditor does not stand as the representative of the officer, as is the case in America, where the auditor usually represents the majority stockholders, we may say, in the official circles. He does not represent the personnel of the administration; he is not subject to the bondholder; he is not subject to the beck and call of some particular interests; but he represents the group of proprietors themselves as organized in the annual meeting of the stockholders, and is superior to the officers. He does not take his instructions from an officer, but gets his duties from the law. He has his appointment from the proprietor, and he is given the fullest powers of investigation, besides being made responsible for the truth of all the statements that are made at the annual meeting, to which he is to report.

Now this looks toward the administrative aspect of investments; it looks toward the protection of capital; it looks toward informing the public with respect to investments before the public are asked or when the public are asked to buy. It is something that is almost entirely lacking from American corporation practice. It is something that is gradually coming to be demanded, but demanded through public supervision — the German system (rather than the English system) of the paternalistic care over the investor rather than that the government shall insist on the investor providing himself with means for his own intelligence.

Looking toward the instruments employed for the protection of the stockholder and for the purpose of getting the administrative aspects of investments before the public, we again find that English practice is far ahead of anything that we have in other countries, in that they are required to set out what may be called a double balance sheet. The double balance sheet separates the capital estate, as I said before, from the current estate. Or, if I may put it in other language, it is assumed that when you or I contribute funds to a corporation, those funds are to be as a reserve for the continuing use of the corporation; that is, for the purchase of such equipment and for the supplying of such funds as are to be continuously and permanently employed in the enterprise. It is in the nature of a trust to be protected by the officers; it is in the nature of a trust to be inquired into by the stockholder and by the auditor representing the stockholder, that this trust estate, we may say, shall be set forth and separately represented in a trust account, which we call their capital account.

You find nothing of that kind in American corporation practice. I know of very few institutions, even private institutions of an eleemosynary character, that attempt to do such a thing. There are a few eleemosynary institutions that adopt this practice. But so far as we may find from an inspection of public reports and the accounts of corporations, this design is entirely lost sight of, and they are constantly merging the trust estate into the current estate, so that you cannot tell whether the capital is being impaired or whether it is being increased.

We perhaps look back a few years

when such institutions as the Northern Pacific, which had been paying dividends regularly up to a certain point, suddenly passed into the hands of a receiver. You find various institutions that present a prosperous appearance, looked at through their statements; they have been paying dividends regularly. And suddenly you find them absolutely insolvent. This comes from conditions which have simply winked at positions resulting from the merging of the trust estate, losing sight of the capital trust, and permitting an officer to state the current assets, as he calls it, in the same account as the trust estate, so that if those current assets happen to be worthless, you have completely diverted attention from the true condition of the business.

The English law, if that were followed in this country, would require that in setting out separately the trust estate—the capital account—instead of being able to show a large surplus in the capital account and a large surplus perhaps in the current account, these items of current account would stand out by themselves; they would lend themselves to a separate analysis, the character of which would be shown on the face of the statement.

How Philadelphia Speculates

By A Quaker

TO be concise and true, it would only be necessary to say that in almost every instance Philadelphians know little about the elements of successful stock speculation. Of course, this statement grants an occasional exception; but, taken as a vast majority, they know nothing of the vital qualities of speculation which must be carefully followed to secure success.

The brilliant *coups* which are constantly being heard of as happening—most largely in New York, but also occasionally in Chicago and Boston, are extremely rare in Philadelphia. There are two reasons: first, because Philadelphians stick largely to the primitive notion of speculation, which is that of taking small profits and permitting large losses to accumulate; and second, because they refuse to outgrow the habit of buying stocks on a scale down, and selling them on a scale up, instead of adopting the only safe plan of buying on a scale upward and selling on a scale downward, always with safe stop orders below or above the extreme prices at which the stocks are bought or sold.

For it is an axiom of wonderful truth that a man may go to the poorhouse buying on downward scales and selling on upward scales, while he can never suffer greatly if he buys with an advance and sells with a decline. In truth it is, if still further developed in logical reasoning, a confirmation of another statement, that *disposition* is of more value than *capital* in successful speculation; which still further elaborated, means that a man with almost infinitesimal capital may, by following logical lines in speculation, make more money than the man of very large means, who sticks to the unreasonable; and strange to say, the logical lines in speculation force you to be unnatural, while the unreasonable methods are the ones appealing most to your common nature and are vastly more popular.

It is absolutely true that if any merchant or shopkeeper were to follow in their own branches of trade the same methods that are most popular among Philadelphia's speculative class, everyone of them would become bankrupt. For it is the experience of every broker that in the almost total aggregate of their clients, they fight shy of buying stocks where they are selling at low

prices and that their enthusiasm only begins to be kindled when stocks are selling on a very high level.

In other words, when the rich cream of the advance has already been gathered by the big men, and at best, only sky-blue skim milk profit remain for those who buy, and where the probabilities of loss are at a ratio of ten to one, then what is known as the Public are showing the greatest eagerness to buy. Suppose the merchant stocked his store with goods at high prices, and then between seasons when the demand was very light, or at times when merchandise was low, sold out, regardless of price, everything he had, and kept on repeating this performance. How long would he last? This is what the great army of Quaker City speculators are forever doing and the majority in fact, of speculators have done it, frequently against the urgent advices of their brokers. "Wall street and its Methods" and "The Curse of Marginal Trading" is blamed, instead of the senseless course of the individual.

The two curses of speculation are, first, the one as outlined above, and second, that of over-speculation. With reference to the last named, what is more delightful than a trip to the seashore or a dip in the ocean, so long as you are careful to stay in your proper depth of water and not venture out beyond the breakers where you lose your sure-footing and are apt to be overwhelmed by your collapse of self-control, and by which, unless outside aid is given, you are doomed? You see at once the analogy. If you speculate within your legitimate means, feeling sure that either by your method of checking an early loss, or by capital sufficient to protect you against any probable decline in your holdings, then speculation loses both its dangerous and fatal aspects, and becomes a properly controlled effort to increase wealth.

Philadelphia traders combine the extremes in the matter of conservatism and great risk. Many of them never trade except for cash and in dividend-paying stocks, while the history of the Philadelphia Stock Exchange contains proof that they are eager, under stimulus, to trade in the most vulnerable sort of securities. In the boom period of 1899-1901, they bought promotions by the millions of shares, the large majority of which have almost passed from memory. Such things as Pneumatic Horse-Collar which was so largely over-subscribed that, with a par value of $1.00, it sold at over $3.00 per share, illustrates this. There is no value whatever for this or dozens of other promotions, which were eagerly absorbed during this boom period at absurd prices. This served as an excellent lesson, and to-day Philadelphians discriminate more carefully than ever before.

The greatest difficulty confronting the development of a purely local sentiment here, such as exists in Boston with its Coppers, is that Philadelphia traders, both on the Exchange and off, too closely watch the trend of New York quotations, and are influenced in their local commitments by the New York tone.

To this imperfect sketch, may I add a few choice local reminiscences of pithy personalities jostled against in a number of years' experience? A Presbyterian minister in a Philadelphia church was in 1870 caught short of Catawissa common, and the stock was several points above his selling price. It was during the early days when railroad accidents were very hurtful to the market price of stocks. He wrote a letter to his brokers saying "I have wrestled with the Good Lord in prayer and have besought him that some accident may occur on the Catawissa Road, such as will help me out of my distress." A few days after, the Boston fire occurred and stocks tumbled in panicky fashion, Catawissa declining with the rest. The minister wrote to his broker saying "The Lord has heard my petition, and I have been 'saved as by fire.'"

Another eminent Methodist divine was carrying some Pennsylvania Railroad stock on margin, and in the great decline of 1878, which carried it down to 25, he was obliged to send several $500 checks to keep good. Finally coming down one day to his broker and placing his arm affectionately around the other's shoulder, he told him how he had prayed earnestly to the Lord to show him what he should do and requested that he might be guided in opening the pages of his Bible to

some verse which should carry to him the proper advice. Continuing, he said, "I opened the pages at the particular chapter in Ephesians, and the first verse catching my eye was 'Hold fast,' and I have accordingly brought down another check." When a few days later he was again called upon for another check, he remarked that "It must have been the Devil and not the Lord who answered my prayer."

An Episcopalian minister of this same city was once asking his broker as to what cheap stock he could buy outright with $1,000, that he might make some money. His broker suggested Texas Pacific, Wabash, Erie, Mexican Central, Laclede Gas and finally Green Bay, remarking to him that if he were to buy the latter, every time he looked at the certificate, he would be reminded of the Psalmist where he says "The wicked shall flourish as the Green Bay tree." The minister quickly responded, "But you forget the remainder of that verse, which says 'And I looked and behold, it was gone, and the place thereof knew it no more.' I think I shall pass that by." It was once again prophetical, as Green Bay, Winona and St. Paul was soon wiped out.

One of our Catholic priests was one day looking for a profitable investment, in a broker's office and a wire came over from a New York broker advising the purchase of "R. I. P." which was the abbreviation of Chicago, Rock Island and Pacific. Reading over the dispatch carefully, he said "I am afraid of that, it looks too much like the graveyards I have frequently to pass through."

The very article which tickles you may cause some other fellow to cancel his subscription—and vice versa.

Post Mortems

A Roast on What Is and a Pointer on What Might Be

LET us draw an imaginary line to represent the present moment. On one side of the line we will list the Street literature and newspaper financial columns which bear upon the past history of the market; on the other side, that which relates to the future:

Past

Daily newspaper financial articles; "News for Investors" columns; the majority of market letters, reviews, etc., issued by brokerage houses; all chart records; in general, all statistics, financial statements and official announcements of corporations; practically all other FACTS, as when a thing has become a FACT it belongs strictly to the past.

Future

Analyses of results, showing line of growth and probable future status; forecasts of earnings, based on official figures of orders or business on hand; examination of fundamental and technical factors, showing probable effect on future prices.

Now just stop and consider what a mass of stuff is thrown at us each day, every line of which is a Post Mortem—an examination of the dead past. Whether that past is an hour or a day old matters not. We never realize profits by reading about it.

Then observe what a scarcity there is of material which forecasts and shows us how to make a dollar to-morrow or next week.

If we are not in the market for money, what is our excuse? Not the sensation of hitting it right; not merely for amusement; not for the vindication of our judgment. No! We risk our time, cash and nerves for what we hope to make, and one of the reasons why we don't make more is this Salome-like passion on the part of financial writers, who insist upon serving up the plattered dead head of the market.

We want to know the workings of this living financial organism, its tendencies, its characteristics, its innate strength or weakness. By this means we shall be better able to anticipate its probable future performances. We can judge nothing by the average "dope" with which the country is now flooded.

I defy you to select from to-day's newspapers one solitary fact which of itself defines your best course for the future. You will find statements of earnings, but these simply show a comparison with the previous year's record. Last year may have been abnormally bad and this year only fair, but the statement shows a big increase and you impulsively buy the stock on this ground. The issue may be selling in the fifties and earning nothing; the fat increase may be the result of skinning the road—there is nothing to prove the contrary.

The financial editor launches into a vast discussion of the foreign exchange situation or the position of the Bank of France. We want to know whether Union Pacific will sell at 200 before 150, and why.

The reporter who writes those small paragraphs for our daily paper, when he does attempt a prediction, states:

"It is asserted in some quarters "that the decline in Steel has discounted all the unfavorable features of the Tariff Bill, but there "are many who refuse to accept this "opinion."

In other words, Steel may go up, but it might go down. Take your choice.

Another Postmortemer says: "Missouri Pacific opened higher and more active." Upon investigation we find that the opening price of MOP was ¼ up from the previous day, total sales during the first hour being 500 shares. From this we conclude that the writer was long 10 shares of MOP, and if the stock would only go up as it should he could get his wife's ring out of hock.

Even if he had not exaggerated, the item is absolutely worthless. It is history.

Here are two post mortem clippings from the New York *Evening Sun* of February 23, 1909. The first was taken from the front page on which, owing to the extraordinary activity of the market, there appeared an article with display heading, containing one man's story of what happened.

> **New York Central also slid off because of the actual adverse decision of the United States Supreme Court against the company in the cases in which the railroad company was charged with giving the American Sugar Refining company some rebates**

The other clipping is from the regular daily article on the financial page, and gives another man's version of the same decision.

> **The Supreme Court decisions in the litigation against the New York Central Railroad Company in giving rebates to the American Sugar Refining Company had no particular influence upon either stock.**

Each writer contradicted the other. Neither knew what he was talking about.

In order to state as a fact that New York Central did or did not slide off as a result of this decision, it would have been necessary for the reporter to locate each seller of New York Central on that day and ascertain whether the majority did part with their stock for this reason.

There were 23,500 shares of New York Central sold during the session,

and no doubt the sellers, scattered all over the earth, held various lots, from one share up. So it would seem quite a task for anyone to learn whether the bulk of it was sold for the above reason.

It is, therefore, obvious that the two doctors whose post mortem examinations resulted in such contradictory decisions were pawing the air for something to say. They *knew* nothing about the corpse, and should not have been allowed to record their respective guesses.

The facts were: A decision was rendered against the railroad. Its stock declined 4⅞ points net for the day. But as other issues broke from 3 to 10 points, there is nothing to prove that New York Central would not have declined just as much had there been no decision.

We pick up a market letter of the type characteristic of the general run of Stock Exchange houses. What do we learn from it? It says that the market *was* strong (this happened yesterday) at the opening, but later in the day declined on reports that, etc., etc.

Of what use is such material?

We read all about yesterday's market in last night's paper.

It's a waste of time to mull over dead issues.

No wonder the majority of market letters go, unopened, to fatten the office cat and provide the janitor with additional revenue from his waste paper perquisite.

In some letters we find a leaven consisting of a few lines regarding the immediate future of the market—not of individual stocks. This is good in its way, but if we were to take a dozen letters we might find as many different opinions contained in their closing paragraphs. And, after all, the ordinary trader cannot deal in more than a few stocks at a time, and even if the advice as to the general market were invariably correct, his particular issues might not respond.

The public thirsts for facts which can be tied up to and sworn by—facts collected with judgment, proved logically or mathematically, and arranged so that the conclusions are self-evident.

Security holders and speculators have too long been stuffed with garbled news, interlarded with snap opinions. Practically every offhand opinion of the market's future may be regarded as worthless, because no one actually knows—least of all those who give no time to an exhaustive study of both underlying and surface conditions. Exhaustive study does not mean rehashing what has appeared on the news ticker—all that relates to the dead and gone past.

To produce a financial page or a market letter of actual value there should be a careful gathering of facts; a selection of the most vital points; a reasoning out of their probable bearing upon future prices; their presentation in brief, readable paragraphs.

The chorus of editors and market letter writers will shout at this: "It can't be done. What? Cut out our regular financial article and our gossip column and substitute something new which would violate all the traditions? Make predictions that if wrong will lead people to 'come back at us'? Oh, no! It would never do in the world."

Let me here explain that Wall Street with its newspaper vermiform appendix, is the ruttiest community in the world. Things are done there now just as they were a quarter of a century ago, a new idea being considered blasphemous.

So in presenting this idea let me assure you that it is not new. The ideal market letter and financial article already exists—in fact it has been printed for a number of years. It is written by a man named Powell, who signs himself "Ackland," and it appears daily in the *Boston Financial News*.

Once more the chorus: "So! You're booming that paper, are you?" Answer: If we were we should not be calling your attention to the fact.

Judge for yourself a reproduction from a recent issue:

The market has been intensely dull at times with spurts of activity usually accompanied by advances in two or three stocks.

Atchison has been in demand on the splendid showing of earnings yesterday,

which indicated that business in the company's territory had improved very materially.

The Western farmers seem to have come out of the panic and depression without any serious interference with their prosperity.

The big crops and the high prices for grains have added enormously to the wealth of the country. We are getting the benefit of this buying power now in the West.

It is possible to get any view of the tariff desired, but the one thing obvious is that the bill which finally becomes a law will not contain anything inimical to the business interests.

This will gradually be understood by the public and then we shall have more active general business even before the tariff is settled.

It is evident that the pessimistic talk regarding the effect of the steel duties is being overdone and that the industry is gradually recovering from the severe depression.

The copper metal situation is gaining strength and the buying this month has been on a very much larger scale than for some time past.

The effect of this buying will be seen later on in the figures of the Copper Producers' Association, showing the deliveries as well as the actual production.

The stocks at present are not burdensome, and if any further accumulation is prevented there will be no trouble in absorbing the surplus when business gets better.

There are many copper producers, in fact, who believe that the demand will be larger than the supply before the end of the year.

So far as prices are concerned, the tendency should be toward a higher level and larger profits for the producers, owing to the ease in the money market, as there is no forced selling.

The condition of the Erie is now considered very much improved by the gains in earnings, and these will be added to as the improvements are completed.

The report that the dividend on Chicago and Alton is to be guaranteed was not generally believed and the buying is thought to be on the earning power.

Toledo, St. Louis & Western might be willing to guarantee the dividend, but it would be a question whether such a guarantee would add materially to the value of the security.

The preliminary estimates of the cash movements for the week indicate a small gain by the clearing house institutions as the amount received from the interior was larger than the total gold exported.

Money rates are so low, however, that the bank statements are not a factor in the speculation and have not been for some time past.

It is known, also, that if money rates advance, the gold we have sent to Europe would come back to replenish the reserves.

Mexican Central was more active than usual and the price advanced without any particular reason except the work of a pool.

The hour from one to two o'clock was about as dull as it is possible for the market to be and the price changes were insignificant.

An official of the Harriman lines was quoted as saying that Mr. Harriman expected to go on building branches and new roads wherever they were needed.

This show of confidence will have an influence on the other railway managers, and in this way help restore the railway demand for materials and labor.

The extent to which labor was unemployed last year is shown by the fact that the United States Steel Corporation alone employed some 55,000 men less.

There is very little to be said of the crops now, but it is certain that irrigation has removed the greatest danger of a serious crop failure in this country.

It seems to be a time when both patience and confidence are needed, but the market does not give indications of any attempt at large liquidation.

The market closed fairly strong but without much animation and the feeling seems to be that we cannot expect a very active speculation for the time being.

The editor of this column will always be glad to hear from his readers—either inquiry, criticism or suggestion.

ACKLAND.

Powell is sometimes wrong in his deductions and his conclusions (who is not?), but his method is always right. More help, more suggestions and more satisfaction may be derived from one of his letters than from all the other daily newspaper financial columns in America combined. Its author lays the cards on the table in the order of their importance, discards the chaff, tells you how the game stands, and nudges you when there's a chance to make a dollar.

Powell deserves to make a million dollars and be emulated by every newspaper and market letter scribe in the country.

Boston must hold some strong attraction, for we would have you know, Mr. Powell, that New York is the financial centre, and your good stuff is sorely needed here.

Our criticisms apply to all regular daily newspapers, but not to the market letters issued by all brokerage houses. Some of the latter are helpful, extremely valuable in the line of suggestion, owing to systematic and intelligent investigation.

Please do not ask us to discriminate. Each must do this for himself. And, by the way, it is only fair that the house which supplies you with a letter which you value should be granted a share of your patronage.

We hope that in future there will be fewer Post Mortems; that less attention will be given to Hindsight and more to Foresight. Remember Horace Greeley's famous remark, and for the sake of present and future readers and clients, we ask you, scribes, editors and reporters, to PULL OUT OF YOUR RUT.

Your friends who are operating blindly will thank you for putting them in touch with this magazine. Send us their names and we'll mail them sample copies.

Mechanical Methods

Messrs. Gibson and Manwaring are Unable to Agree as to Conditions Governing a Test

EDITOR THE TICKER MAGAZINE—My dear Sir: Referring to the article in the February number of THE TICKER, which has just been brought to my attention, entitled "A Test of Mechanical Methods," I would like to make the following statements.

My original proposition to Mr. Manwaring was that he test the value of his system and the methods which I have employed in their comparative light. I did not state that his system was not capable of succeeding; in fact, I was not in a position to make any such statement, as I know nothing about it. I do, however, make the broad statement now, that I have examined in recent years a great many systems and have never found that any of them brought satisfactory results. It appears to me that in this business the thing to be striven for is the maximum of profit with the minimum of risk, and if my methods are better than his system, I believe I will continue to adhere to them.

Mr. Manwaring, in his reply to my communication, makes the following counter propositions:

1.—That we deposit $1,000 each and that his representative will undertake "to beat the market" by buying or selling stocks hypothetically according to the system which Mr. Manwaring has imparted to him, taking twelve consecutive months during a certain year—1906, 7 or 8.

2.—That I read all the stock quotations from the New York *Sun* and that these hypothetical purchases and sales be made thereon.

3.—That I select the 12-month period, thus eliminating any question of memory.

4.—That, if the test fails to show substantial profits during the period, I am to take the $2,000, while if his representative succeeds in making substantial profits, Mr. Manwaring will take the $2,000.

I can scarcely think that Mr. Manwaring is serious in reducing a matter of this kind to a mere wager that he will make some money by his system. What represents a "substantial" profit is not mentioned and is, therefore, not definite. So far as the eliminating of the question of memory is concerned, that is practically an impossibility. Any man who knows anything at all about the market would know that in the year

1906 (if that year was chosen) he should sell in the first part of the year and buy in the last part of the year; that in 1907 he could sell continually until November and then buy, and that in 1908 his purchases could be made continuously without fear of loss.

I do not wish to impute any intention on Mr. Manwaring's part to take advantage of me by choosing the past as a test, but looking at the matter purely in a business light and as a bet, no man who makes a business of taking wagers would entertain for an instant such a proposition. As soon as my $1,000 was deposited it would be simply a matter of the integrity of the representative handling the system as to whether or not I was the loser. I will undertake to take any year Mr. Manwaring may name, let him call the quotations to me as he suggests, and make not only a substantial profit, but an enormous profit, by mere recollection of the trend of the market in that period.

There is another objection to this hypothetical trading. The operator invariably assumes that he can buy or sell at the exact prices he names—something which any trader knows to be impossible. There is no guarantee that if a stock touches a certain price a buying order previously placed at that price will be executed, nor is there any guarantee that a selling order under similar conditions would be executed. Orders placed at the market will show a decided disadvantage to the buyer or seller at the end of a year if he considers the difference between what his orders were executed at and what the market was when such orders were given. It may be contended that the chances in this regard are equal, and that we should sometimes get the worst of it and sometimes the best of it, but any trader of any experience knows that this is not the case.

There is also the assumption in the testing of most systems that stop orders can be executed at certain prices. This is another fallacy. Over night the market might go through our stop orders a point or two, and even in the open market there is no guarantee that we will be able to stop our commitments at the price named. I have frequently seen a stop order which had been resting for weeks executed from 1 to 2 points below the market in a wild run on an active stock. Someone has to take the worst of it. These things may be small enough on individual operations, but they amount to a very great drawback at the end of a year.

Mr. Manwaring states that he has been accused of wasting his time on a system when the study of basic underlying conditions would have been more profitable, and this he refutes by stating that he *has* given careful consideration to such conditions. I cannot conceive how it would be possible to formulate a mechanical system subject to basic conditions, which are continually changing, or how such a system could be made successful in the hands of an amateur unless he was also able to modify his system to meet changes in business conditions. If the system is to be modified in the periods of threatening crop failure, for example, it appears that it would be absolutely necessary for the system operator to have full and accurate information as to the crops, otherwise the method becomes purely mechanical and does not allow for or contemplate a crop failure.

I think Mr. Manwaring's reference to my use of charts is a little unfair. I have frequently stated when producing charts, that they are compiled merely for the purpose of picturing history conveniently, so that we may draw from precedent a logical deduction as to what will happen in stock prices provided causes and conditions are the same. It would be utterly impossible to form a definite opinion of the future of stock prices unless we had some knowledge of what had occurred in the past, and I think such knowledge is almost valueless unless we analyze the causes which brought about certain movements and ascertain whether or not they are present or probable at the time of our investigations. Take for instance the chart he refers to, showing stock prices, crops, trade balances and bank clearings. This chart accompanied my letter of February 15 and was issued for the purpose of showing that the stock market faithfully reflected our cereal production and that bank clearings and trade balances were largely dependent on the crops. This letter was sent out just prior to

sending my crop expert into the West, where he was kept until I was reasonably sure as to the outcome of the cereal production of 1908.

It was shown, by the way, by the chart in question, that only once in 25 years has there been any divergence between crops and stock price movements, that was in the year 1896—the period of the silver agitation, when we were discredited in the eyes of every civilized nation because of the menace to our money standard, and consequently no one wanted to buy our securities and even good crops could not lift us from the doldrums. I am sending you herewith copy of the letter and chart, so that you may see for yourself that there is absolutely nothing remotely connected with stock trading on any system of charted movements in connection therewith. The same statement refers to all the charts I have produced.

I do not believe there is any way to test the efficacy of any method of operation whatever except by actual commitments in the open market on unknown premises where all the drawbacks and dangers, including the mental disturbance and apprehension which is not present in this retrospective speculation, are present in actuality, and, therefore, I would not accept a mere record of past performances as the best evidence. Consequently I must decline Mr. Manwaring's counter-proposition.

Very truly yours,
THOMAS GIBSON.

March 6, 1909.

Mr. Manwaring's Reply

Editor THE TICKER Magazine:

Dear Sir:—I note in Mr. Gibson's letter of March 6th several statements which seem to call for reply.

1.—Mr. Gibson says: "My original proposition to Mr. Manwaring was that he test the value of his system and the methods which I have employed in their comparative light."

Technically Mr. Gibson is correct, yet it should be remembered that I made the first proposition, which was aimed at demonstrating the value of *my* method. To this Mr. Gibson responded by a suggestion that we compare my method with *his*, an entirely separate proposition from my offer to demonstrate what I could do.

2.—Mr. Gibson also says: "I did not state that his system was not capable of succeeding; in fact, I was not in a position to make any such statement, as I know nothing about it."

It was largely to put Mr. Gibson in just that mental attitude that I issued my original challenge.

I have claimed from the first that he was not justified in broadly condemning all mechanical systems. Any man is entitled to say, "I do not believe," but the scientifically accurate man is very slow to say, "It cannot be done."

In order to enable Mr. Gibson to judge of my methods I wrote him about a year ago and subsequently called on him, offering to show what I could do at first hand. While he received me in a very courteous manner, he did not elect to even look over my work, which would have cost him nothing but a little of his time.

Mr. Gibson says he can hardly think me serious in reducing the matter to a mere wager by offering to deposit $1,000 against his $1,000, I to take the money if I succeed and Mr. Gibson to take it if I fail.

My reasons for making that offer were partly as follows:

I did not care to switch from my original proposition to prove that *I could beat the market* into a test to prove that *I could beat Mr. Gibson* especially, as to comply with Mr. Gibson's offer would drag the matter out and compel me to bother with running a little separate account for a whole year. However, if I had given these reasons before offering to put up the $1,000, it might, in the minds of some, have put me in the position of being afraid to lose the $1,000; besides, I believe that it is part of the argument of my worthy opponent that making a test with nothing to lose is easier, as fear is eliminated. Hence my standing to lose $1,000 would put me in the position of an actual trader, i. e., having a real money loss staring me in the face in the event of failure.

In regard to my remembering the market, Mr. Gibson says: 'So far as the eliminating of the question of memory is concerned, that is practically an impossibility. Any man who knows any-

thing at all about the market would know that in the year 1906 (if that year were chosen) he should sell in the first part of the year and buy in the last part of the year; that in 1907 he could sell continually until November and then buy and that in 1908 his purchases could be made continuously without fear of loss."

Mr. Gibson probably overlooks the incident which he cites in his book, "Cycles of Speculation" (p. 15), wherein three traders, being told that Sugar during a certain period had suffered a 20 point decline, were given an opportunity to make imaginary trades from the actual tapes on which this decline was recorded. Even with this positive knowledge, two of the traders lost their capital and the other only won by taking an unfair advantage, as explained by Mr. Gibson. These traders did not even have to depend upon memory; they *knew* what was coming.

To show that no feats of memory are involved in my plan: Some little time subsequent to my challenge, I was suddenly and without previous preparation asked to make a test in your presence as to my ability to trade in cotton. This was especially severe on me, for I had never followed, studied or operated in cotton and knew absolutely nothing about it; yet, without hesitation, such a test was made covering a period of two years. This test showed as follows:

TEST OF TRADING IN COTTON—1907-8.

Net points profit, 516 or	$2,580
Greatest series of losses, 182 points, or	910
Greatest amount of capital required if started at worst time.	1,110
This at its worst would therefore show on the capital invested a profit per year of over	116%

Furthermore, as to the question of memory, I would call attention to the following points:

1.—I specified in my challenge that I was to know nothing of the date selected for the test until it was all over.

2.—No man living can remember every 2 per cent move over three years, and it will be recalled that I invariably use a stop of not over 2 points on every commitment.

3.—I always have been and am willing that you, the Editor of THE TICKER, shall have disclosed to you a full knowledge of my method, and you could then vouch for my trading on every indication, regardless of any knowledge or memory of past movements. I presumed that Mr. Gibson would be willing to accept such confirmation as conclusive.

Mr. Gibson says, "I will undertake to take any year Mr. Manwaring may name, let him call the quotations to me as he suggests, and make not only a substantial profit, but an enormous profit by mere recollection of the trend of the market in that period."

Will Mr. Gibson do this under the same conditions that I bind myself to, i. e.:

1st—Not know the date; 2nd—Always use a 2% stop; 3rd—Never pyramid or change his unit of trading, that is to say, always trade in 100 share lots and never be committed for more or less at any one time?

Mr. Gibson further says:

"The operator invariably assumes that he can buy or sell at the exact prices he names . . . There is no guarantee that if a stock touches a certain price a buying order previously placed at that price will be executed, nor is there any guarantee that a selling order under similar conditions would be executed."

These facts every amateur trader learns in his first few days of trading, and I trust Mr. Gibson will not pay me the poor compliment of assuming that I am such a tyro in the market as to ignore these elementary points.

All my orders are "at the market" or on "stop," which makes them market orders when the price is reached. I have kept records of actual variance from orders over such a long time that I know from experience what factor to allow. I have actually traded with real money in about every kind of market imaginable, all the way from periods of stagnation, to, and through panics. I know the game thoroughly from actual experience.

Mr. Gibson further says: "I cannot conceive how it would be possible to formulate a mechanical system subject to basic conditions, which are continually changing, or how such a system could be made successful in the hands of an amateur unless he was also able to mod-

ify his system to meet changes in business conditions."

Grant for the moment that Mr. Gibson cannot conceive of such a thing, I ask in all fairness, does that prove its impossibility? *Certainly not.*

Mr. Gibson evidently compiles reams of complicated statistics from which he *reasons* out his conclusions. If he "slips a cog" in his reasoning his followers lose their money. All experienced operators know how easy it is to slip said cog, and to err, or how likely some unexpected disaster is liable to upset all such hypothetical conclusions. My method is built upon the tape itself. The tape takes and summarizes all news, all disasters, all manipulation, etc., and prints the proper conclusion in the form of prices and volumes. Therefore I am guided by the tape and not by complicated reasoning and forecasting.

As to altering the system to meet changing conditions, it suffices to say that such changes are automatic, and are made and controlled by the tape itself. The amateur, therefore, need pay no attention to conditions, as my system is thoroughly automatic and mechanical.

In view of Mr. Gibson's antipathy to mechanical methods read this:

"I think Mr. Manwaring's reference to my use of charts is a little unfair. I have frequently stated when producing charts, that they are compiled merely for the purpose of picturing history conveniently, *so that we may draw from precedent a logical deduction as to what will happen in stock prices* provided causes and conditions are the same." (The italics are mine.) I leave it to your readers to decide whether or not Mr. Gibson has acknowledged the value of mechanical methods.

In conclusion of this controversy I reassert:

I have, in every test made, been able to show greater net profits than losses.

My method is purely mechanical and simple enough for any novice to use.

It does not require any complicated statistics or reasoning, nor any great or difficult calculations or charts.

Any intelligent grammar school graduate could use it.

I am, and have been, ready, able and willing to prove this to any one in whom I am interested.

In brief, I have a definite mechanical plan of operation in which I have confidence.

The proof that other people also have confidence, is found in several sworn statements which I have in my possession from persons whom I have instructed in this method. These persons have *taken their oath* that it is completely satisfactory to them, and all I have represented it to be.

Respectfully,
G. A. Manwaring.
(The "Analyst.")

77 W. 34th St., Bayonne, N. J.

Two Important Fundamentals

By Roger W. Babson*

I.—FOREIGN MONEY RATES AND FOREIGN EXCHANGE

NOTE: These two subjects form Numbers 18 and 19 respectively, of the Twenty-Four Fundamentals mentioned in Mr. Babson's book "Investments: What and When to Buy."

THESE two subjects are usually discussed together, because they are so closely related and because the first is not sufficiently important to be treated as an independent subject. In fact, all that needs to be said regarding foreign money rates is that money, like water, seeks its level, unless artificially held or forced. Therefore if money rates are low in the United States but for some time have been high in England, Germany or France, we are sure to have higher rates and possibly a period of stringency in the United States.

There are two reasons for this: first because the loans to American bankers by foreign bankers will be called for payment or the foreign rate will be so raised that it will be more profitable for Americans to borrow at home. Second, because foreign bankers will begin to borrow in America and thus take advantage of the lower American rates. As both of these causes are in operation at the same time, the rates very soon equalize, foreign rates declining and the American rates increasing. This is also conversely true; when money rates in America are high but foreign rates have been low for some months, the tendency is for American rates to decline and foreign rates to increase.

In studying foreign rates, investors and merchants consider simply loaning rates of the three leading foreign banks; namely, the Bank of England, the Bank of France and the Bank of Germany. The tabulation and interpretation of these rates is very simple, probably the simplest of any of the subjects studied for forecasting money conditions. The student of affairs should always keep in mind, however, that low foreign money rates have their disadvantages as well as their advantages, as very often they signify a low state of trade which under certain conditions may spread to America. This phase of the subject cannot, however, be discussed at present, owing to its complicated nature.

Referring again to the figures for foreign money rates as affecting American money rates, it may be seen that this equalization can only be accomplished through the transferring of gold and by the purchase and sale of foreign exchange. Therefore, although the ablest merchants study both foreign money rates and foreign exchange, theoretically a study of foreign exchange will take the place of foreign money rates.

Foreign exchange is quoted as to "actual rates" and as "quoted rates" and for a general description of the subject we quote Howard Irving Smith as follows:

"The quotation 'actual rate' means the rate at which exchange is sold in large amount by a dealer; the quotation 'posted rate' means the preliminary asking rate of the day before an actual rate is made and this is the rate usually exacted for a small amount of exchange by a dealer. The actual and posted rates are the rates at which dealers sell bills of exchange issued by themselves. They do not as a rule announce the rates at which they will buy commercial bills of exchange; that

is a matter of negotiation and depends on the nature of the two bills. The newspapers, however, publish approximate prices for commercial bills.

Foreign exchange is payable in the money of the country upon which the exchange is drawn; that is, where the exchange is payable.

The equivalent of $1.00 in English money is 49.3 pence or 4 shillings 1.3 pence.

When foreign exchange is quoted in the money of the country where it is bought, the unit of money of that country, is figured at so much in the money of the country where the bill is issued. Thus, when sterling exchange is quoted at 4.86.65, one pound sterling in exchange is worth $4.86.65.

When foreign exchange is quoted in the money of the country where it is payable (not where it is bought), the unit of money of the country where it is bought is figured at so much in the money of the country where the bill is payable. Thus, when exchange on France is quoted at 5.18 (5 francs 18 centimes), $1 in exchange is worth 5.18 francs.

When a bill of exchange is quoted in the money of the country in which it is issued, but is payable (is to be paid) in the money of the country upon which it is drawn (where it is payable), the higher the quotation (or rate) the higher is the cost of such exchange, for the reason that a high rate requires more of the money of the country where the bill is purchased to buy a given amount of the money of the country where the bill is payable.

On the other hand, when a bill of exchange is quoted in the money of the country upon which it is drawn (which is also the money in which it is to be paid), as francs, the higher the quotation, the less is the cost of such exchange, for the reason that more of the foreign country's money can be purchased for $1 at a higher rate than can be purchased at a low rate.

Illustration: If exchange for £1 is purchased for $4.89 it costs more than if purchased at $4.84. On the other hand, if exchange for 5.25 francs (5 francs 25 centimes) is purchased for $1 it costs less than if $1 is paid for 5.11 francs; or, putting it another way, $1 buys more in francs at the high rate than it buys at the low rate.

The amount paid for a "time bill" depends on the length of time it has to run and the rate of interest prevailing in the country where the bill is payable. A commercial bill payable in London three months after date is bought by a dealer in exchange in New York at a price which is equal to a bill payable on demand, less three months' interest at the existing rate of interest in London. The London rate of interest serves as the basis in calculating the price of the bill, for the reason that the bill is payable in London and to make it equal to a draft payable on demand it must be discounted in London.

High cost for exchange ordinarily means that the international balance is against the country where the high cost prevails; conversely low cost for exchange ordinarily means that the international balance is in favor of the country where the low cost prevails.

Political Factors

Some of the most successful merchants of the old school always maintained that the three greatest factors which influenced business conditions were crops, money and politics, and that of these the most important was politics. Certainly a study of the history of the business conditions of the United States seems to bear out this statement, and that portion of American history with which these pages are most especially concerned—from 1860 up to the present time—is most admirably described by Alex. Dana Noyes in his "Thirty Years of American Finance."

There has always been a most delicate relation between politics and the state of trade, and almost every period of depression and period of prosperity, although not wholly due to political conditions, has been greatly augmented by them.

Among those various political factors may be mentioned the following:

The Embargo Act in the early part of the century,

The War of 1812,

The Establishment of the United States Bank,
The Discontinuance of the United States Bank,
The Beginning of State Rights,
The Slavery Discussion,
The Civil War,
The Reconstruction Acts,
The Inflation of the Currency,
The Resumption Act,
The Silver Coinage Law,
The Resumption of Specie Payments,
The Circulation of Silver Certificates,
The Radical Measures under President Arthur, followed by the panic of 1884,
The Campaign and Election of the Republican party in 1888, coincident with the period of prosperity,
The Silver Purchase Act and the great gold exportation, followed by the panic of 1893,
The Tariff Legislation of the '90s, followed by the prosperous conditions of 1900,
The Various Bryan Scares,
President Roosevelt's Campaign against the Trusts.

Of all these various acts, the most dangerous were those affecting the currency and the acts affecting the tariff. Both of these are very sensitive matters. Any change in the money standard or banking conditions which in any way affects either domestic or foreign confidence is very destructive to the commercial prosperity of the country. Moreover, when banking questions or the money standard are discussed in Congress there seems to be an immediate division of interests between the producer or the manufacturer and the banker or the investor. The legislation desired by the producer seems to be opposed by the investor, and vice versa. The reason for this is very evident, as anything which tends to make money easier to the producer, depreciates the value of money in the hands of the bankers and investors who possess it. On the other hand, legislation which strengthens the importance of the banker and investor tends to handicap the producer and manufacturer.

Any legislation designed to reorganize the banking system of the United States on anything but a strictly gold basis, as the banking systems of England and other countries are founded, is always a dangerous sign. Any legislation which gives additional importance to gold is always greeted with approval by all classes of manufacturers, merchants and investors, excepting those holding government bonds. All other legislation, especially that recognizing as a standard silver, or anything other than gold, is always a dangerous sign, as it causes bankers and investors to call loans and to raise rates. Such conditions usually precede a general crisis.

As to the propriety of high or low duties on foreign goods, there is still a question for debate, and on both sides are found leading economists. Although nearly all bankers are in favor of protection, yet most economists, upon whose advice the bankers depend regarding all other matters, are almost without exception against protection; but whether high tariff for protection, or low tariff for revenue only, is best for the country, the fact remains that whenever the subject is discussed, for either one side or the other, or whenever there has been a change in classifications on duties, this discussion and special enactment of any legislation has always affected business conditions. While the adoption of certain tariff legislation has given a great impetus to prosperity, the previous discussion of the subject has always tended to disturb confidence, promote a feeling of uncertainty and seriously check business. This point of view is very well described by Mr. Henry Hall as follows:

"In the United States the business world has become accustomed to the

protective principle; and even the prospect of reduced duties has always chilled the spirit of enterprise, while the reality has always given a set back to business, sooner or later. On the other hand, enactment of a protective tariff, in lieu of one for revenue only, has always proved exciting and has quickened into intense activity the looms, forges and machinery of the entire country.

"The backward state of American industry prior to the Civil War is held to have been due in large measure to the relaxation of protection under the tariff laws of 1842 and 1857. There can be no question that the twenty or more tariff enactments from 1861, when the Morrill protective tariff went into operation, to 1872, when the system had fairly been adjusted to the requirements of home industry, aided materially in developing the mines, sustaining the factories against foreign competition, supplying the railroads with an immense and profitable traffic, and promoting the farming interests of every section of the states.

"The lower duties of 1883 on many manufactures added to the force of other evil influences, which ended in the crisis of 1884.

"The crisis of 1893 rose in a distinct measure from the agitation in the then Democratic Congress for a tariff revenue only, which eventuated in the Wilson bill.

"The prosperity which the states now enjoy must be attributed in a marked degree to the protective tariff, enacted under President McKinley.

All writers on crises agree in giving great weight to tariff changes. An investor should therefore at all times be fully informed with regard to such actual or possible revolutions in political control at Washington as are likely to have a bearing on the tariff laws."

MUCKRAKERS who pitch into Wall Street make some queer blunders. An emotional muckraker named Upton Sinclair was moved to write a book about Wall Street. He knew the swollen rich by name and by their Park Row reputations, but it occurred to him that if he came to Wall Street and found somebody who really knew him he might get some rich human color. He needed not to know what they did in Wall Street. They did everybody, especially widows and orphans, as he very well knew, but it was desirable to learn how they did it.

He was sent by a friend to talk to a man who might tell him a great deal. This man happened to be a seam-strained, ticker-scarred veteran of the game who could himself write a dozen books. Sinclair found him in the customer's room of a prominent Stock Exchange house, introduced himself as from the mutual friend, sat himself down and said:

"Now, tell me about Wall Street."

The wrinkled son of speculation was expecting every third quotation to be stopped out of a thousand shares of Union Pacific, and, anyhow, what an insane way for the muckraker to begin!

"What do you want to know about it?" the veteran mildly asked.

Said Sinclair: "I want to know all about it."

Out went the Union Pacific.

"Young man," said he who could have written a dozen books, slowly strangling a cigar, "I have been at this for thirty years and more and I don't know anything about Wall Street."

That must have been exactly what Sinclair wanted. He went enthusiastically away and wrote his book.—*Wall Street Journal.*

The Investment Digest

IN this department will be found the boiled-down facts derived from official and all other sources, special attention being given to those which bear upon **future** values.

Heretofore investors have contented themselves with the information contained in one or two newspapers or periodicals. We propose to scan **every column of every publication, every market letter or other obtainable piece of literature** bearing upon the value of the principal securities and give you the vital points—the meat. To do this yourself would cost **several hundred dollars a year in cash, and all of your time.**

The value of this method will be appreciated when it is realized that the very item which is of most importance to an investor may appear in a publication which he never sees. Those who make a business of furnishing this information charge all the way from $10 a year for keeping an investor posted on one stock, to $60 a year for all securities. THE TICKER costs but $3 a year and will hereafter post you on every important corporation in such a way that if full details are desired they can be had by securing the medium referred to.

Items coming to hand by the 15th of each month are included. Earnings will in most cases be found in the Bargain Indicator on another page.

We are in line for suggestions as to how this department may be improved. Brokers are requested to put us on their mailing list.

Allis-Chalmers—President says shipments of machinery for April 50 per cent above last April. No cuts to be made in wages. General outlook good and will become normal when tariff adjusted.

Amalgamated Copper—Walker's Copper Letter expects will sell 90 before 70.

Am. Agricultural Chemical—Wall St. Journal says year ending June 30, 1909, will be 10 to 15 p. c. better than 1908. All factories working overtime, but com. divs. far distant. Est. com. earning 7.7 p. c.

Am. Beet Sugar—Boston Fin. News est. fiscal year will show nearly 6 p. c. on com. compared with 4.2 p. c. in 1908 and 1.0 p. c. in 1907. Not believed divs. likely till $3,000,000 notes due Mar., 1910, are provided for. Reported cash on hand over $1,000,000 against former current indebtedness of $2,000,000. U. S. production beet sugar inc. 60 p. c. each year since 1905.

Am. Car & Foundry—Hayden, Stone & Co.'s letter says this co. now in first rank of Am. equipment cos.; that it has never issued a bond or increased its capital; that its surplus equals $82 per sh. on the com. stock; that it is the only equip. co. which paid com. divs. during the depression; that it will not be directly affected by new tariff.

Am. Cotton Oil—Said that as U. S. produces 15-16 of world's output of cotton seed oil, this co. will not be affected by Payne bill, placing that commodity on free list.

Am. Ice Securities—Year end. Dec. 31, '08, surplus inc. $660,111. Reported only small amount of $3,000,000 1st and genl. mtge. bond issue was subscribed at 88 by stockholders; balance offered by C. D. Barney & Co. at 90 and int.

Am. Smelting & Ref.—Official circular shows earnings for 6 mos. end. Oct. 31, 1908, equal to 8 p. c. on com. Boston Fin. News says improved demand for lead and copper; officials claim co.'s business assured through ownership of securities and long time contracts; opening of new mines leaves ample room for new International Co. without encroachment on Am. S. & R. Co.'s business.

Am. Sugar Refining—Report year end. Jan. 2, 1909, shows 7.2 p. c. earned on capital against 9.7 p. c. previous year. Surplus dec. $2,246,374, and now stands $22,697,722, equal to over 50 p. c. on com.

Am. Telephone & Telegraph—J. S. Bache & Co.'s special letter shows growth in net earnings from $6,862,237 in 1900 to $23,479,290 in 1907; says co.'s business is "depression proof"; that in 1908 it earned full year's div. in 7 mos. Report year end. Dec. 31, 1908, bal. applicable to divs. inc. $1,852,320. Co.'s pamphlet report an interesting document.

Am. Woolen—Reported has booked $25,000,000 worth of orders since Jan. 1, against $29,000,000 gross business whole of 1908. Nearly all mills almost on full time, against only 30 p. c. in operation last year.

Atchison, Top. & Santa Fe—Halle & Stieglitz special letter says earnings 7 mos. end. Jan. 31 show 13 p. c. on com. and for Dec. and Jan. avg. 22½ p. c.; equity demands larger dividends. Com'l West and N. Y. Sun say earning about 15 p. c. Clement, Curtis & Co. say present rate of earnings

only exceeded by Union Pac. Proposed bond issue postponed but will be made later, subject to new Kansas law. Increase of nearly $5,000,000 net for 8 mos. due mostly to decreased maintenance and expenses. Semi-an. div. 2½ p. c. on com. declared.

Atlantic Coast Line—Virginia permits inc. in max. passenger rate from 2 to 2½c. per mile. 8 mos. net earnings to Feb. 28 show nearly 40 p. c. inc. over last yr. W. C. Langley & Co.'s letter says: As more than half L. & N. stock is owned by Atl. Coast Line, inc. equity from this source equals 4 p. c. on A. C. L.

Baltimore & Ohio—W. C. Langley & Co.'s letter shows avg. surplus for com. divs. 1904-8 9 p. c.; 6 mos. end. Dec. 31, 1908, showed 4½ p. c. Reported will order 8,000 steel cars.

Batopilas Mining—Reported shipped 110,000 oz. bullion in March.

Bethlehem Steel—Earnings for yr. end. Dec. 31, 1908, show final net dec. 77 p. c. Prest. Schwab considers showing satisfactory under circumstances. Orders on hand Dec. 31, $7,592,502, against $8,514,665. Co. has acquired large ore bearing lands in north of Cuba, sufficient for years to come. Reported secured $20,000,000 contract from Argentine, also structural steel contract for new Gimbel Bldg., N. Y.

Brooklyn Rap. Transit—Prest. says gross earnings running $3,000 to $5,000 a day over last yr. In 6 yrs. co. will have spent $40,000,000 in improvements out of which $5,000,000 came from earnings. Predicts future returns will show considerable improvement.

Butterick Co.—Prest. says business improved. Co. has paid off floating debt, improved its cash position by $254,000. Now discounts all its bills.

Canadian Pacific—N. Y. News Bureau says 7 mos. earnings to Jan. 31 at rate of 10¾ p. c. W. C. Langley & Co.'s letter says avg. surplus 1904-8 was 10½ p. c.; half yr. end. Dec. 31 showed 5.8 p. c.

Central Foundry—18 mos. to Dec. 31, 1908, showed deficit $6,251, but sub. co.'s earned net $115,541.

Central of Georgia—8 mos. to Feb. 28 inc. net nearly 15 p. c.

Chesapeake & Ohio—Wall St. Journal says div. rate will probably be inc. to 3 p. c. or 4 p. c. Langley & Co. figure earnings for half year 3 p. c., against avg. of 5 p. c. per year for 1904-8. Permitted to raise passenger rates from 2c. max. to 2½c. max. per mile in Va.

Ch'go, Burlington & Quincy—Ry. World says 10.9 p. c. earned in 1908, but a better showing expected in 1909. "Report made to the New York Stock Exchange gives some interesting facts concerning the taking over of the Col. & Southern. The Burlington purchased 257,000 shares, or about 83 per cent of the $31,000,000 of the common stock of this company, but took over none of the preferred stock. The common stock was purchased at $55 per share, making the total amount involved in the purchase $14,135,000. The capital stock of the Col. & Southern is held by the trustees of the general mortgage 4 per cent bonds of the Burlington. The company has recently sold to J. P. Morgan & Company $20,000,000 of these bonds. No statement was made that the proceeds of the bonds were to be used to purchase the preferred stock of the Col. & Southern, but no other inference is possible, in view of the fact that this stock was immediately included in the security of the general mortgage."

Chicago Great Western—The tentative plan provides for authorizing $60,000,000 first mortgage 4 p. c. bonds, of which $17,000,000 will be reserved to retire the outstanding divisional bonds, $12,000,000 of which are on the Mason City & Fort Dodge division and $5,000,000 on the Wisconsin, Minnesota & Pacific division.

The 4 p. c. debentures will receive 110 in a new preferred stock. The preferred "A" stock will receive 120 in a new common stock. The preferred "B" stock will be assessed $15 per share. The holder of 100 shares, on payment of $1,500 and the surrender of his old certificate, will receive in exchange therefor 60 shares of new common stock and 15 shares of new preferred. The new preferred will represent the amount paid in assessment.

The common stockholders will be assessed $15 per share. The holder of 100 shares of common, on payment of $1,500 and the surrender of his old certificate, will receive in exchange therefor 40 shares of new common stock and 15 shares of new preferred, the latter representing the assessment.

The floating debt will be paid in full, with interest and a large sum provided for improvements. The assessments on the common and preferred "B" stocks will provide the funds for paying the floating debt and the sale of bonds will furnish the money for improvements. The plan will be issued when the sale of the new first mortgage bonds to the bankers has been closed.

Railway World says: The Chicago Great Western has at present $12,000,000 of floating debt, and $18,000,000 besides will be required to put the property into condition for economical operation. Of this $30,000,000, $10,000,000 is expected to be raised by assessment on stockholders, and $20,000,000 by the new bond issue. The present capitalization of the company is $116,558,874; the capitalization under the proposed plan is $106,354,857, of which $20,000,000 will be first mortgage bonds. The fixed charges on the old capitalization, including the interest on the 4 per cent debenture stock, was $1,495,000. According to the plan proposed the fixed charges on the new capitalization will be $900,000, excluding rentals. The company has earned for the five years preceding the receivership an average surplus available for fixed charges of $1,700,000, showing a large mar-

gin over the fixed charges under the reorganization.

Eight mos. to Feb. 28 net operating income $584,000, dec. $238,000.

Ch'go, Milwaukee & St. Paul—The last rail on the Pacific coast extension of the Chi., Mil. & St. Paul Railway, now known as the Chicago, Milwaukee & Puget Sound Railway, had been laid at a point two miles east of Missoula, Mont. There was no celebration of any kind, and the completion of the sixth transcontinental railroad was simply a part of the day's work. Ballasting will be completed about June 1 next. Railway World says:

Official reports from Chicago are to the effect that the St. Paul's Pacific Coast extension from the Missouri River to Butte has more than paid its way from the start and its current earnings are sufficient to pay all expenses and about 9 per cent on its share of the $100,000,000 capital stock of the Puget Sound Company.

The statement is made by A. J. Earling, president of the company, who has just returned from the coast, that a fair division of the capital for the purpose of computing earning capacity would be as 40 to 60. In other words, if the transcontinental line from the Missouri River to Seattle cost $100,000,000, the cost of the Missouri River-Butte section should be estimated at $40,000,000.

"As a matter of fact," says Mr. Earling, "the cost of the through main line is not as much as that. We have begun work on 300 miles of branch lines and with their completion, the cost will not exceed $100,000,000. You understand, however, that there is always work to be done on a railroad.

"It takes a new railroad a long time to get ripe. For that reason we will not begin regular through passenger service to the coast for nearly a year, although we expect full freight service in about three months.

"Construction cost is approximately what we estimated and the results, so far as operations have gone, have exceeded our anticipation. Settlers are crowding into the territory along the extension. It is wonderful to see how rapidly that entire country is filling up."

Ch'go & Northwestern—Wall St. Journal says co. spent $340,000 more for maintenance than a year ago; expenses for 8 mos. less by $1,426,000; gross now ahead of 1908.

Colorado & Southern—See Ch'go, Burl. & Quincy.

Consol. Gas—Reported div. will be increased to former basis owing to inc. earnings of N. Y. Edison Co., a subsidiary. Latter said to be earning $7,000,000 a year net, equal to 7 p. c. on Con. Gas shares. Other sub. cos. also showing increases.

Corn Products—Prest. says Standard Oil people own less than 5 p. c. of stock and at no time have owned a greater percentage; bond issue suggested but not yet considered by directors; prest. disapproves. After charging off $1,428,646 for new construction during the fiscal year ended Feb. 29, 1909, showed earnings of approximately 10 p. c. on the pfd., or, including deductions from earnings made for improvements, net income was about 15 per cent on the pfd. Earnings approximately 65 p. c. of preceding year. Decided improvement in business last few weeks; now operating practically to full capacity; outlook good for maintenance at that ratio.

Delaware & Hudson—Report year end. Dec. 31, 1908, shows 12.4 p. c. earned, against 15.2 previous year.

Del., Lackawanna & Western—Representative of one of principal stockholders says larger distribution must come in time; nothing authoritative has been given out, but increase is closer at hand.

Denver & Rio Grande—Balance sheet furnished Stock Exchange in connection with transfer of 1st and ref. 5 p. c. bonds from the unlisted to the listed department, shows total stocks of other companies held in treasury $12,229,220 at cost. D. & R. G. owns among other securities $50,000,000 of the stock of the Western Pac., which has sold in the open market in the neighborhood of 25, giving it a value of about $12,500,000, but this not figured in balance sheet. Treasury thus stronger than appears. Between July 1 last and Jan. 31 this year the amount of bonds of other companies held by the Denver & Rio Grande increased from about $6,300,000 to $14,461,866. This presumably resulted from the taking into the Denver's treasury of bonds of the Western Pacific accepted in settlement of payments made to that road for construction purposes.

Distillers Securities Corp.—W. St. Journal says earned 1.11 p. c. yr. end. June 30, 1908, against 8.32 p. c., 6.97 p. c., and 5.24 p. c. in preceding years. Among factors contributing to poor showing last period was prohibition legislation, but officials assert that prohibition laws are never maintained for any length of time or observed rigidly. The latest example of radical legislation is in Georgia, where consumption of liquor has been fully as great since the enactment as before. The corporation owns through its subsidiary, the Distilling Co. of Am., a majority of the $12,000,000 stock of the U. S. Industrial Alcohol Co. Thus far this concern has paid no dividends, but it is asserted that it will be in a position to do so if the current rate of improvement in its business keeps up. Assuming the Distillers Securities Corporation to hold $6,000,000 of the stock it would require a 5 p. c. dividend on its holdings to equal 1 p. c. on its own stock. The parent company guarantees the annual payment of 7 p. c. on the Industrial Alcohol Co.'s preferred stock, of which $6,000,000 is in the hands of the public.

Erie—Pub. Service Com. has granted priv. to issue $30,000,000 5 p. c. col. bonds subject to certain conditions which must be

accepted by May 2, 1909. W. St. Journal est. Feb. and Mar. earnings approx. $1,200,000 net per mo. Sur. over fixed chgs. 9 mos. $2,500,000, and for fiscal yr. $4,000,000, equal to full div. on 1st and 2d pfd. and nearly 1 p. c. on com. Maintenance chgs. up to Erie standard.

Granby—Walker's Copper Letter says when improvements completed production will run from 36 to 40 million lbs. copper per an., equal to $9 per sh. on a 15c. copper mkt.; ore deposits practically inexhaustible.

Great Northern—Four elec. locomotives installed for heavy traffic work; first of their kind used on a main trunk line. Earnings show substantial recovery. See C. B. & Q. re. int. in Col. & So.

Great Northern Ore—Hayden, Stone & Co.'s letter says: On account of pending tariff revision, there has been a depression in sentiment as to G. N. O. Yet it is hard to see how even the elimination of the duty can have any result in the next few yrs. on value of certificates. Contract with Steel Corp. calls for payment of fixed royalty per ton and fixed min. quantity of ore to be paid for each yr. Moreover, lessee has no option to surrender lease until Jan. 1, 1915. It is difficult to foresee any possibility arising under which the Steel Corp. could afford to relinquish control of the ore properties. The increase in the normal requirements of iron ore by the steel industry is very rapid, ore production having doubled every ten years.

Illinois Central—Official says traffic 10 p. c. over last yr.

Interborough—East river tube est. adding $1,400,000 per an. to receipts. Edwin Hawley elected a director. N. Y. City Ry. yr. end. June 30, 1908, showed deficit $1,886,801, which is $1,443,400 less than previous yr.

Int. Harvester—Proposed to spend $30,000,000 in foreign plants. One in France, other in Germany. High tariffs imposed by foreign countries said to be responsible for the decision.

Iowa Central—Fin. World considers 1st mtge. ref. bonds a low-priced speculative issue. W. St. Journal says co. has large floating debt and not earning interest on bonds.

Kansas City Southern—U. S. Investor says during past 4 yrs. spent over $10,000,000 on permanent imp. and betterments, incl. $3,000,000 from earnings; claims co. owns more cars per mile than any road west of Mississippi.

Lackawanna Steel—Yr. end. Dec. 31, 1908, deficit $1,326,273.

Lake Erie & Western—Deficit $272,912 for yr. 1908. Maintenance chgs. liberal. W. St. Journal says floating debt $1,800,000, inc. $400,000. Road has no bonds to sell or other means of financing debt or future improvements.

Louisville & Nashville—Considered likely 6 p. c. div. rate will be restored in view large inc. in earnings. First 8 mos. fiscal yr. show over $750,000 more than full yr.'s div. at 6 p. c. Four years 1904-7 avg. 11 p. c.

Metropolitan St. Ry.—N. Y. Stock Exch. listed the ctfs. for 4 p. c. ref. bonds, over 90 p. c. of bonds having been deposited with Farmers' Loan & Tr. Co. under agreement.

Michigan Central—Authorized issue of $25,000,000 deb. bonds for refunding $15,000,000 short term notes maturing next year, to provide new funds. Issue will run twenty years, and pay 4 p. c.

Minn. & St. Louis—W. St. Journal says: "At the moment, dividends on the common seem remote."

Minn., St. P., & Sault Ste. Marie—Official announcement that new stock authorized by directors March 11, will consist of 20,160 shares of preferred and 40,320 shares of common stock. These shares will be offered to stockholders at par in the proportion of six shares of new stock for each 25 shares of the old stock. Payments to be made on the basis of 20 p. c. at the date of subscription, which must be before April 30, 20 p. c. June 4, 20 p. c. July 15, 20 p. c. Aug. 31 and 20 p. c. Oct. 15. All subscriptions must be made for both kinds of stock in ratio of 1 sh. pfd. and 2 sh. com. New ctfs. to be delvd. on or soon after Oct. 15, 1909. No int. or divs. allowed but all stock entitled to divs. for half yr. end. Dec., 1909.

Mo., Kansas & Texas—London Statist says co.'s outlook greatly improved by release of 8,000,000 acres of land in Oklahoma, formerly part of Indian reserves. This is in addition to 1,500,000 acres on which restrictions had previously been removed. 60 p. c. of these 9,500,000 acres are on line of M. K. & T. Fin. World considers the 4½ p. c. bonds cheap and safe so long as earnings show 4 p. c. on pfd. stock; at present price (92) net 5 p. c. W. St. Journal says 8 mos. available surplus dec. over $1,000,000, or about 66 p. c., but road has applied $359,774 to expenditures which other roads would probably capitalize. This is equal to about ½ of 1 p. c. on the com. stock. More than ¾ of the road's increase in gross earnings was put back into the property during this period in the shape of higher maintenance.

Missouri Pacific—Wall St. Summary says earnings to end Jan. equal 5⅜ p. c. per an. Maintenance allowance small. Bond issue under consideration.

Nat. Lead—Net for 1908 only $40,000 dec. No floating debt. All maintenance and repairs chgd. to operating exp. Volume of business for 1908 only 2 p. c. below record yr., 1907.

Nat. Rys. of Mexico—N. Y. Stock Ex. has admitted to unlisted dept. the prior lien 4½s. the guar. genl. mtg. 4s and nominative stock ctfs. for 1st and 2d pfd.

N. Y. Air Brake—Report for yr. 1908 shows net profits $244,099, equals 2.4 p. c. on stk. Stock and bonds listed on N. Y. S. E. Prest. says earnings on increase and a di-

rector intimates that should improvement continue a resumption of divs. at a lower rate than previously, may be expected.

N. Y. Central—W. St. Journal says 17 roads forming N. Y. C. system decreased in gross 11 p. c. for 1908, compared with 16 p. c. for Penna. Bond issues to about $60,000,000 in contemplation. Earnings for Feb. inc. over 30 p. c.; substantial surplus over divs. will be shown at this rate; liberal equipment expenditures.

N. Y., New Haven & Hartford—Stated that absolute separation from its trolley properties will be accomplished by May 1. W. St. Journal est. will earn 8 p. c. this year.

Norfolk & Western—Ry. World est. may earn 9 p. c. or more this yr. State of Va. permits inc. in max. passenger rate from 2c. to 2½c. per mile.

Northern Pacific—Boston Fin. News says secured control of 460,800 acres agricultural and timber land, val. $10,000,000. See C. B. & Q. re. interest in Col. & So.

N. Y., Ontario & Western—Officials expect year's showing will equal 1907-8. Boston Fin. News says it has for many years maintained its properties on a very liberal scale, and in this manner the real value has been brought out. Since the New Haven bought control at $45 per share Wall St. has been looking favorably upon O. & W. stock until now it is selling at about two points above the price which the New Haven originally paid for it.

Pacific Coast—Expected quarter ending June 30, 1909, will show surplus over 4 p. c. on com.

Pennsylvania—Officials state intention to have 6 main tracks entire distance N. Y. to Pittsburg. Income from investments inc. 1908 over $1,000,000, but other items in misc. income show dec. 400 steel sleeping cars costing $8,800,000 ordered from Pullman Co.; planned to equip entire passenger service with steel cars. Bond issue of $80,000,000 ratified.

Peoples Gas—Div. inc. from a 6 p. c. to a 7 p. c. basis; 1¾ p. c. payable May 25 to holders of record May 1.

Pullman—Estimated that 400 steel sleeping cars which the Pennsylvania Railroad has ordered from the Pullman Co. will cost $8,800,000, each car costing $22,000. The order is part of the plan of the Pennsylvania Railroad to equip its entire passenger service with steel cars. The Pennsylvania has already in operation about 800 steel passenger coaches, which have been purchased within the last two years, and also some steel baggage cars. The use of steel sleeping cars will be a new departure in railroad operation. The order follows considerable experimentation with a sample steel sleeping car built by the Pullman Co. and operated over the Pennsylvania lines with Pennsylvania officials as passengers. The Pullman Co. has recently completed a separate plant at Chicago for the manufacture of steel cars and is ready to go ahead at once with the building of new steel sleeping cars.

Reading—U. S. Investor says Reading's anthracite coal fields amount to 102,000 acres, and the estimate of unmined coal therein, not including the recent discovery of new veins, is placed at 2,450,000,000 tons. If this enormous amount were computed to be worth 30 cents per ton to the operating company, this would fix the valuation of the coal holdings alone at $735,000,000. At the present time this asset is covered by stocks and debt to the amount of only $89,291,919.

Rock Island Co.—Wall St. Journal says the only direction in which the Rock Island Co. can turn for money to pay dividends on its preferred stock is toward the treasury of the Chi., R. I. & Pac. Ry., usually called the R. I. Railway to distinguish it from the Chi., R. I. & Pac. Railroad, which is a holding company, and from the R. I. Co., which is the senior holding company of the Rock Island properties. R. I. Ry. must be put on 8.2 p. c. dividend basis if 4 p. c. is to be paid on R. I. Co. pfd. The Ry. Co. is not in a position to pay the 8.2 p. c. rate. Earnings this year are about on a parity with those last year, when they were barely sufficient to maintain expenses of the R. I. organization.

Sloss-Sheffield—Reported operating 75 p. c. of capacity; surplus iron equal to one month's output has accumulated. Business small at present.

Southern Pacific—E. H. Harriman predicts a remarkable development for the west coast of Mexico. Referring to the extent of railroad building on his lines in this territory, he says:

"Our objective point is to connect the Mexican Central and about 450 miles of line which will make this route complete."

Mr. Harriman stated that he found the attitude of Mexicans with regard to supplying railway capital liberal. He described the situation in Mexico as more of a government partnership than government ownership. Ry. World says:

Shrewd men who have noted the rapid extension of the Southern Pacific down along the western coast of Mexico have been making inquiries. They are convinced that E. H. Harriman has started a railroad line that will, within a few years—by the time the Panama canal is finished—extend in an unbroken line from Nogales, on the Mexican-Arizona border, down the Pacific coast through Mexico, Guatemala, Salvador, Honduras, Nicaragua and Costa Rica to the city of Panama and there connect with the Panama Railroad, which parallels the Panama canal over to Colon.

The Harriman extension into Mexico has already been completed for more than 700 miles. A line 800 miles long is now under construction and the work is being pushed at a rate of speed never before known in Mexican railroad building. The road is well ballasted, the rails are heavy and the rolling stock and all other equipment are of the highest class.

The $100,000,000 bond issue for the exten-

sion of the Southern Pacific into Mexico caused a lot of comment among the stockholders. It seems destined to pay for the start of a piece of railroad construction which, with the Harriman connections in the East, will make the Southern Pacific a trunk line from New York to the banks of the Panama canal.

The new convertible bonds of the So. Pac. are now being dealt in on the N. Y. S. Ex. The amount of these bonds is $100,000,000, of which $82,000,000 will be offered to stockholders at 96, to the extent of 30 p. c. of their holdings. These bonds will bear 4 p. c. int., and will be convertible into com. stock of the company until June 1, 1919. The security of the new bonds, which are debenture obligations, is $75,000,000 of pfd. stock, paying 7 p. c. divs., and $198,000,000 of com., paying 6 p. c., with a combined value of $300,000,000. On the basis of last year's figures the Southern Pacific earned more than six times the amount necessary to pay interest on the new bonds. The company's stock has never reached the point where conversion would be profitable. The outlook for the company, however, is one of steadily increasing earnings with much higher stock values than has hitherto been received.

Hayden, Stone & Co.'s letter says: A valuable right will shortly accrue to the shareholders of the So. Pac., in connection with the new issue of 4 p. c. convertible bonds. These bonds—while they have no mortgage behind them—are a direct obligation of the Southern Pacific Co., and of their security there can be no question. They will be convertible at the option of the holder for the next ten years into stock at $130 a share.

As these bonds are offered at a discount of 4 p. c., the conversion privilege will become of value when the stock crosses 125.

As a security of the highest grade, netting 4.3 p. c. on the investment, and embodying a ten-year call on the stock at 125, these bonds are as attractive an issue as one could ask for.

Southern Ry.—State of Va. permits increase in passenger rates from 2c. to 2½c. per mile maximum.

Tennessee Copper—W. C. Langley & Co.'s letter says: We understand that the success of the new sulphuric acid plant has been demonstrated, and that dividend payments, although somewhat irregular, will be very satisfactory. This stock sold above 52 last November, and above 55 in 1907. An upward move is expected this year. In comparison with Amalgamated, on the basis of earnings, it looks cheap.

Third Ave.—N. Y. Evening Post says: Of the total outstanding stock of the Third Avenue Railroad Company, amounting to $15,995,800, par value $5,970,000 were formerly owned by the New York City Railway Company, but it is claimed said stock was on or before May 22, 1907, transferred and delivered by said company to a corporation known as Metropolitan Securities Co. in settlement of cash advances made by the latter for the corporate purposes of the N. Y. City Ry. Co. The balance of the issue, $10,025,800, is held by the general public.

All of the capital stock of Third Ave., therefore, is owned by the public. Inasmuch as the only interests who have any actual information regarding Third Ave. saw fit to sell their stock on a manipulated market, in view of its forthcoming reorganization it behooves the present owners of Third Ave. to get together.

Twin City—Hayden, Stone & Co.'s letter says: Twin City's annual expansion in gross and net seems to have been entirely unaffected by the bad times. The co.'s earnings are at the highest notch; meantime, stock more than 20 points below previous high level.

Wall St. Journal says: Twin City is in a strong position and is maintained in such shape that its earnings above expenses are really considerably better than they appear on the surface.

U. S. Cast Iron Pipe & F'dry—Secured $1,000,000 order from city of San Francisco. An official states that this is the most important single order that has been placed since the beginning of the late general depression. Representatives report that business is on the increase and that the outlook for business is encouraging. It is expected that a decision in the friendly suit to test the right of the directors to pay dividends on the preferred out of the reserve for additional working capital will be rendered in June. The case is up before the New Jersey Court of Chancery.

U. S. Realty & Improvement—Reported contracts on hand $21,000,000; satisfactory earnings apparently assured for 1909.

U. S. Reduction & Ref.—17 mos. to Dec. 31 show surplus over 1½ p. c. paid of pfd. of $88,000. No floating debt. Total surplus $1,700,000.

U. S. Rubber—Reported earned more than required 8 p. c. on 1st pfd. and 6 p. c. on 2d pfd. Fiscal yr. ends Mar. 31. Finances in excellent condition.

U. S. Steel—Hayden, Stone & Co.'s letter says: A loss of $275,000,000 in one year in gross earnings and $70,000,000 in net, can scarcely be construed as a bull argument, but the trouble with this comparison is that it is based on a false premise. We must not compare a year of depression with a year of prosperity, but with another year of depression, and to do this we must go back to 1904. 1908 was a year of much more acute depression than 1904, yet in 1908 the Steel Corporation earned gross $482,000,000; in 1904, $448,000,000; in 1908, $10,000,000 for the common stock, against $5,000,000 in 1904. This comparison fairly sets forth the gain made by this remarkable corporation in four years' time. Four years ago, a depression forced this company to suspend dividends on its common stock altogether; to-day, a far worse depression forces merely a reduction in the rate.

Charles M. Schwab declared the present cutting of prices in the steel industry would not be of long duration or of great moment; that in ten years the consumption of steel in this country, which in 1907 was 24,000,000 tons, would reach 40,000,000 tons; that the manufacture of steel cars had only begun, and that it takes nearly a thousand tons of steel a day merely to replace worn out rails.

Byron W. Holt in Moody's Magazine says: The proposed cuts are not drastic, except possibly the 50 p. c. cut in the duties on steel rails (from $7.84 to $3.92 a ton) is certain. In fact the most of the reductions take away only a part of the superfluous duties and will leave even more tariff protection than is now needed or used. Thus, the duty on tin plate is reduced from 1½ to 1 1-5 cents per pound. As foreign and domestic prices seldom differ by more than 1 cent a pound, the proposed rate would be just as protective as is the present duty. Similarly the proposed duties on wire, nails, bar iron, steel beams, billets and cotton ties would as effectively protect the manufacturers in ordinary years as do the present duties. Within two months of the completion of the new tariff bill, it is reasonably certain that the big and little steel manufacturers will be advancing prices and working as harmoniously together as they have been doing for several years. This year the great Steel Corporation will probably earn 10, and next year 20 p. c. on its common stock.

Alfred Mestre & Co.'s letter says: At no time since organization of the corporation has the ratio of earnings been less than $10 a ton. In 1902 the ratio was $16.25 a ton; in 1903, $14.30; in 1904, $10.80; 1905, $13.50; 1906, $14.80; 1907, $15.24, and 1908, $14.80. Based on capacity on the dates mentioned above the earnings of the Steel Corporation at the rate of $10 a ton on each ton of steel produced would be as follows:

Date.	Earn. cap. at $10 a ton.
April 1, 1901	$77,190,000
Dec. 31, 1908	129,900,000
When Gary plants are compltd.	145,000,000

Wall St. Journal says: The management was optimistic enough to offer common stock to employes at 50, and that was the first time the employes had ever been solicited to buy the common stock at all. Either the employes of the Steel Corporation were "landed" with common stock at 50 or the management believed it to be worth that price and felt confident that it would show a profit within a year. No unbiased person will say that the employes were knowingly "landed" with the stock. On a capacity of 12,900,000 tons, earning power has increased $78,000,000 a year. With the completion of the Gary works, the corporation will have a production of 14,500,000 tons of rolled and finished steel, or practically double the capacity of the corporation at the time of organization; could pay good common dividends on a basis of $10 a ton earned on each ton of steel produced. Surplus accumulated by U. S. Steel and sub. cos., $133,415,218; new construction expenditures, $255,500,000. Total spent for construction, expenditures for extraordinary repairs, and depreciation funds aggregated a total of $606,836,000. One of the largest sources of income of the U. S. Steel Corporation is its transportation system. Few shareholders have any idea of the extent of the railroad and steamship lines of the corporation. When the fact is taken into consideration that the corporation has a total mileage of 2,941, owns 45,682 cars, 960 locomotives and 105 steamers and barges, an idea of the extent of the corporation's great rail and boat system becomes evident at a glance. As a comparison, the main line of the Steel Corporation's railroad system embraces 873 miles, as against the Chesapeake & Ohio's 1,800 miles, and Erie's 2,300 miles. The main line of the U. S. Steel Corporation is equivalent to about one-half of that of the Chesapeake & Ohio, and 40 p. c. of that of the Erie.

Union Bag & Paper—Yr. end. Jan. 31, 1909, showed $242,884, over 4 p. c. on pfd. Boston Fin. News says: Five p. c. bonds secured by property worth seven times amount of bonds. Net earnings last fiscal year were six times total interest charges. Second largest in history of the company. Surplus increased by $242,844 and now stands $1,697,968. The co., producing not more than 45 p. c. of the paper bags used in the U. S., is in a much more advantageous position to meet competition than any other company manufacturing paper bags in the U. S.

Union Pacific—Com'l West says: Union Pacific will earn not far from $20,000,000 after the payment of its regular 10 p. c. dividend. It changes the question which the quidnuncs of Wall St. used to ask, viz.: "How can the Union Pacific possibly earn 10 p. c. dividends?" to that other question: "What is the Union Pacific to do with its surplus money?"

Hayden, Stone & Co.'s letter says: Union Pacific is making the best showing in the railroad world this year, and in fact the best in its own history. Earnings for the fiscal year to end June 30, next, promise to be very nearly 20 p. c.

Utah Consolidated—Wall St. Journal says: Year end. Dec. 31, 1908, the poorest ever. Net divisible profits of $1.08 per share, against $3.93 in 1907; smaller production, increased cost, and a large reduction in mineral contents of ore treated; nearly $275,000 drawn from surplus to make up dividend deficit; the unfortunate results the past year were not entirely due to "extenuating circumstances," and that the declining copper, gold and silver values in Utah Consolidated ores are approaching a serious stage. Had it not been for the gold and silver values of $601,442 Utah Consolidated, as a copper producer, would last year have operated at a net loss of $275,130.

Virginian Ry.—The formal opening of the

Virginian Railway was signalized April 3d.

The road, commonly known as the Tidewater, was built by Mr. Rogers to bring the high-grade coal from the mountains of West Virginia to the seaboard over the shortest possible route and the lowest grades. The road now finished is some 450 miles in length, and it is said that in both its standard and principles of construction it is unequalled by any railroad in the U. S. This great undertaking was carried through by Mr. Rogers, single-handed, with the exception of $17,000,000 Tidewater notes sold in 1908. The steel pier at Sewell's Point is said to have a capacity greater than all the other 6 railroad coal piers in Virginia combined.

Wabash—It is learned that the co. has already anticipated payment of about $3,000,000 of the $6,160,000 5 p. c. notes due in May next. As already announced, the balance will be paid on or before maturity. Also stated that the company has paid in advance out of treasury funds about $1,000,000 of the $7,000,000 4½ p. c. notes maturing in May of next year.

It is announced that the Wabash Railroad has sold sufficient of its 4 p. c. 1st refunding and extension bonds to take up the $6,160,000 two-year collateral gold notes maturing May 10 next.

Fin. World says: Under new traffic agreement the U. P. will turn over to Wabash business at Kansas City to be forwarded to St. Louis, Toledo, Detroit and Buffalo and in return the Wabash will turn over its west-bound business to the U. P. at Kansas City. This means a great deal for the Wabash. It may amount to a new lease of life for this railroad, which has never before been able to pay dividends. Alliance with U. P. is one which ought to pay well for both interested parties. This outlook gives the preferred stock and the 4 p. c. bonds of the Wabash unusual speculative possibilities.

Westinghouse—N. Y. News Bur. says: Conditions continue to indicate a gradual, but steady improvement in almost all the departments. Number of employes on the shop pay-roll growing daily. Work on the $5,000,000 order from the Penn R. R. Co. has given quite an impetus to operating activity. Large increase in volume of business at Newark works. "We have 100 p. c. more orders now than a year ago," said Gen. Supt. Harder, "and after the usual dulness of the coming summer, we will be running full force, day and night. We are making many contracts for next fall." Co.'s business during March was 30 p. c. greater than that of February. The Machine Co.'s March business was the best in 18 months.

Wisconsin Central—Under its new ownership, the Wisconsin Central will be known and operated as the Wisconsin division of the Soo Line, and will therefore lose its old and familiar corporate name.

Fin. World says: The Soo is willing to guarantee 4 p. c. dividend on the pfd. stock of the Wisconsin Central for 99 years, provided the pfd. shareholders waive their right to vote and also to any other return on their stock above 4 per cent. The offer will undoubtedly be accepted. As the guarantee of the Soo is a good one, the pfd. stock will get the character of an excellent investment and ought to sell at least as high as B. & O. pfd.

New Publications

THE STORY OF GOLD, by Edward S. Meade: D. Appleton & Co.

This book is an attempt to present the development of the modern gold mining industry, with especial reference to the connection between it and the ebb and flow of business prosperity. The connection between the gold supply and prosperity is now thoroughly understood. Without a supply of gold, increasing at a rate corresponding to the volume of business transactions, prices must decline, and the scale of business operations must be curtailed. On the other hand, if the gold mines furnish an adequate supply of reserve money, which serves as a foundation for the immense edifice of credit and token money, prices tend upward, and prosperity endures and increases. Starting from this generally accepted view of the connection between gold and prosperity, the "Story of Gold," after a brief non-technical description of the nature and manner of occurrence of gold in nature and the methods of its extraction, goes on to explain the enormous increase in gold production in recent years, by reference to three controlling influences: (1) the advance in the value of gold from 1873 to 1897; (2) the new discoveries of gold ores; (3) the revolutionary improvements in the machinery and methods of gold mining and metallurgy. From this account of the history of gold production, material is drawn which serves as a basis for a forecast of the future of gold production. The conclusion is reached, that in spite of many and serious obstacles, the world's output of gold will go on increasing for many years, and at a rate, absolutely at least, as rapid as during the past quarter century. No marked depreciation of the value of gold is, however, to be anticipated from this increased production, because of the certainty that the industrial development of the world will continue to absorb all the supply of money which the gold mines can reasonably be expected to furnish.

INQUIRIES

Is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated? If so, write questions briefly and they will be answered in this column or otherwise. If personal reply desired, enclose stamped envelope. Address Inquiry Department.

☞ We do not give advice or opinions upon securities or probable market movements.

Stop Orders

Q. I would like you to explain stop orders a trifle more fully. I understand what they are and how operated, but there seems to be a difference of opinion as to their advisability. Nearly all the writers in THE TICKER seem to think they are useful in an initial trade to help one get into the market right. Mr. Gibson says in his "Pitfalls of Speculation" that their principal use should be in the protection of profits after a substantial raise from the buying point. If we buy something when we think it cheap (and that is the only time we care to buy anything) it is not good practice to sell when it is cheaper still. Again, the stop is useless unless the market swings past the stop. If it goes just to it the trader is just that much out. Now, is it not a better principle to get into the market when we consider it low and protected by ample margins than wait until it shows a profit? This, of course, does not apply to the in and out trader, but to him who plays for the long swings.

Ans.—We advocate stop orders on marginal trades because they protect the trader from himself. It is all very well to buy a stock on a ten or twenty point margin and decide to hold on and protect it, no matter where it goes, but the average trader does not do this. He ignores a two point break, but is scared out when the stock is down ten points. We think it better to limit your loss to, say, two points. If your stop is caught you can then size the things up, and, if there is no reason to change your original opinion, go in again. What the market does is no more important than what the man does under the influence of fear. A stop order is an antidote for fear; hence, a protection against those large losses which cripple the trader. They are equally valuable in conserving profits.

When stocks are bought outright, the element of fear is largely eliminated. The owner feels that no matter what happens, no one can take his certificate away from him, so there is no need of his selling at below his purchase price. Stop orders are of no value to him. He is content to wait for his profit.

But the man who buys on margin even when he thinks prices are low may be altogether mistaken, and in the long run a stop order will save him many a heart-breaking loss. In most cases the price will go beyond the stop price, but, of course, it will, at times, just reach this point. We have never claimed that stops "help one get into the market right."

Interest on Cash Purchases

Q. In your answer headed "Cash Transaction," on page 237, of your March number, should it not have been mentioned that when certificates of stock are brought on in Street name, or open endorsement, the broker is entitled to, and the stock buyer should pay current rates of interest from date of purchase until the certificates are paid for? Very many stock buyers are not aware that a broker is charged interest by his principal on his purchase from the moment the stock is delivered in New York, Boston, or elsewhere until the cash is received for the stock.

Ans.—If a Detroit customer gives an order to a local broker to buy 100 Atchison at 108, and instructs the broker to deliver the negotiable Street certificate to him in Detroit,

the broker should add to his bill interest from the time his New York house settled for the stock to day of delivery to the customer in Detroit. Stock bought on Monday should be delivered in New York on Tuesday. If it arrives in Detroit on Thursday the buyer should pay two days' interest, otherwise there will be a corresponding loss to the broker.

Rights of Broker and Client

Q. For some years I have had an account with a certain firm. At times there would be a balance in cash or securities on the credit side. The account has never been closed up; that is, I never requested my balance. My orders were given verbally, by 'phone and once, during the time, I signed an order like the following:

> **BUY** for my account and risk.. ....
> .... at ....
> Without demand of payment and waiving all notice, I hereby authorize the sale or purchase by you of this or any other stocks, bonds or securities, etc., in my account at public or private sale, or on the New York Stock Exchange, when it is deemed necessary by you for your protection; and should there be any loss, I agree to make it good; and you are hereby empowered to hypothecate or loan any or all of my stocks, bonds or securities, alone, or with other securities as you may see fit.

Is it your idea that the brokerage house has a right to use all the collateral in the account, even when there is a credit balance in addition thereto? In case of trouble, have I a better chance than others by reason of having a credit balance and securities as well? Is there a chance for criminal action against the house in case of failure? What is the position of a brokerage house if its banks sold my collateral or if the house sold it to reduce loans? Would there be cause of action against the house in such a case?

A. The order which you signed gave your broker power to hypothecate or loan any or all of your stocks, bonds, or securities. The best managed brokerage houses make a sharp distinction between securities that are paid for in full and not required as margin as against those which are being carried on margin or deposited for marginal purposes. In case your house gets into trouble and you have a credit balance and securities with them you may be able to pay your debit balance and withdraw your securities, but this depends upon circumstances. To protect yourself fully you should have a receipt from the broker showing that certain securities are held for safe keeping. If you have a credit balance (without considering shorts) it stands to reason that your securities would be free and clear, and therefore the broker or his assignee should surrender them on demand. You would then be a creditor of the failed house to the extent of your cash credit balance. In order to proceed criminally you must have proof of criminal acts. In case a bank sold out collateral belonging to you and which was in the broker's loan it is our opinion that the brokerage house would have to replace what was sold, if forced to recognize your demand for a return of your securities. There would be no cause for an action in such a case unless the brokers were unable or unwilling to return your collateral. You understand that we are not lawyers. We are simply giving our view of the case as we understand the law relating to such transactions.

Railroad Reports

Q. Where can I get three or four typical railroad reports for the purpose of studying in conjunction with the "Anatomy of a Railroad Report," and how much do they cost?

A. You can secure almost any railroad report by writing to the secretary at the main office. There is no charge. If you have any difficulty, ask your broker to write for you.

London Prices

Q. At what time does the London Exchange close according to London time, and what time would that be here? Is there any fixed rule to figure out N. Y. equivalent in stock quotations?

Ans.—The London Exchange is open from 11 a. m. until 4 p. m., London time; 4 p. m. in London is equal to 11 a. m. here. There is five hours difference in time. Trading in American stocks is done in a small court known as Shorter's Court. Trading begins when the American market opens and continues until 6 p. m., London time, which is equal to 1 p. m. here. At this hour the brokers usually disband, but occasionally trading continues until 8 p. m., which is equal to 3 p. m. in New York.

In Volume 1 of The Ticker the inquiry entitled "New York Equivalent" shows you how to figure London prices.

Two or Three Point Stop

Q. From my daily record I notice that such stocks as U. P. and Read. often fluctuate more than two points. In trading in those stocks, would it not be more profitable to use a three point stop, unless a trader had his eye on the tape and could act accordingly? How can a trader be sure of the present trend—five to thirty days?

Ans.—We do not think it advisable to use more than a two point stop. By buying

on a slump you will find that two points is sufficient to risk. This question has been tested out by the most experienced traders and systematic investigators, and the two point stop found the most advantageous.

It is almost impossible to be sure of any trend—not even the momentary trend. One very good plan is to make a five point chart of Union, Reading, and Steel, and when you find the chart appearing like a flight of stairs, going up or down, as the case may be, you can judge pretty well the long trend. The same thing applies to charts showing each one point or two point fluctuation. Even the ⅛ point fluctuations, if charted, show to a certain extent the supply and supporting points, and when they are raised or lowered.

Chicago Great Western Reorganization

Q. I hold certificate for 50 shares of Chicago Great Western common. The stock is to be assessed $15 per share. I presume you are familiar with the plan of reorganization. I am not. Will you kindly advise me if the capitalization of the company will be less after the reorganization than it is now? I bought the stock at 7 and it is a question with me whether to sell or pay the assessment. I am inclined to hold it. Any information which you may give will be appreciated. How much time or notice are the stockholders usually given of the assessment?

A. No official announcement of the Great Western's plan of reorganization has yet been made. It is understood, however, that the common stockholders will be assessed $15 per share. A holder of 100 shares of common stock will therefore pay $1500 and surrender his certificate. In return he will receive 40 shares of the new common and 15 shares of the new preferred. The capitalization of the company will doubtless be less. Official announcement will be made in due course. If your stock stands in your name you will receive a circular from the company, and there will be ample time given for payment of assessment. Your broker will pay the assessment for you if you are unable to finance it. See inquiries in previous issues. Experience shows that it is usually best to pay the assessment and secure stock in the new company.

Dear TICKER:

Just received the April TICKER and note you discontinue the "premiums." *Good!* If you will allow me to say so, that has been the one feature that I have not altogether liked. THE TICKER is its own best premium. May you have continuing and increasing success! J. L. B.

Department of Criticism

This magazine desires to aid those who are operating or investing without any method at all or whose methods are wrong. We therefore propose to criticise the reasons which induce people to venture or invest; their method of margining; the use or non-use of stop orders; choice of brokers; the motives which lead them to close their trades, etc., etc. This we hope will help to eliminate weak points.

In submitting records, kindly keep within the lines above mentioned. State particulars as fully as possible, showing exactly what you did, why, what the results were, and how the trades stand at present. We cannot criticise accurately unless we have all the details. No attention will be paid to requests for opinions or advice as to future movements of stocks or the market. Address Department of Criticism. Enclose stamped addressed envelope if personal reply is desired. We will print such inquiries and criticisms as seem of general interest, but no names will be mentioned.

EDITOR THE TICKER—

Dear Sir: I note with pleasure that in your April issue you state you will open a "Department for Criticism of Methods," in stock speculation. Such a department ought to prove invaluable to your readers. I think if you would also print an article, written by an expert, on the subject, *as to how the top and bottom of upward and downward swings of prices can be detected,* you would be conferring a great favor on the "outsiders" in stock speculation.

Here is a case that I will present for your consideration:

After the panic of 1907 I deposited with a broker $1,500 and bought a line of stocks, intending to hold them for a "long pull." Mr. Thomas Gibson wrote to me that we were in a bull market, and another Market Letter Prophet urged me to buy, and not to sell, as he would give me full warning "when the top would be reached."

I had bought on a margin of 20 points, feeling that that was sufficient in

a bull regime. I rapidly made paper profits, although prior to Mr. Taft's election, on two occasions, by not using stop orders, all my profits and nearly half of my original capital were wiped out.

The Bryan scare was the worst of the two, and made me feel very nervous as to the outcome in my particular case. However, I held on, and on the rise of prices consequent on Mr. Taft being elected, my account showed, after paying interest charges on banker's loans, the compound interest on broker's commissions, clippings of prices on the floor of the Exchange, which frequently amount to one per cent. and State taxes, a profit of 100 per cent.

My balance with the broker was now $3,000, and I was carrying 200 shares of stock, some of which were incautiously bought at the very top of the market, viz.: Smelters at 101, and Westinghouse at 92. The Market Letter Man told me not to sell until he gave the word, as he would get me "out at the top." But the market began to sag, a stock would get very weak while others were strong. I thought it would brace up again, which it did to a small degree, while others grew weak. I thought we were in a bull market, and, as I was in for a long pull, a loss of a few points did not matter, for the market surely would begin to go up again. But prices sagged still lower, culminating in the crash ostensibly brought about by the Steel war, and the collapse in Copper. All this time I never thought of studying whether the upward swing in prices that culminated after election day had not reached its limit, and that stocks were a sale at that time. The Market Letter man stated that "it was the first time in ten years that he had misread the market," and that because of his past good record he ought to be forgiven his then mistake. He said that if Smelters broke 85 to sell all long holdings and go short of it. It went to 84 and then rose to 89.

At the bottom of the crash in values I found my balance was reduced to $1,000. All my years' profits and $500 besides had been wiped out. I saw other speculators wiped out entirely. I threw overboard half of my holdings at a great sacrifice, and now hold 100 shares on the ten point margin. The point I wish for light upon is this: Is there any way by which the outsider can discern the top of an upward swing in prices, and *per contra,* the bottom of a downward swing also? I do not now refer to tape reading, which seems too complicated for ordinary traders. Is it possible for an expert in values to discern the signs of the times in Wall Street? If you can keep your readers posted on this all-important matter, you will save them untold losses and great mental misery.

Are we at the bottom of the recent slump in values, both with regard rails and metal stocks? Or has the Tariff any further terrors for the trader on the long side? Will ten points margin, at the present comparatively low level of prices, amply protect trades?

As you desire full details before criticizing my position in the market, I will say that I am carrying 20 Smelters, averaging 98, 40 (half) shares of Westinghouse, averaging 90, 20; Tennessee Copper at 51, 20; Wabash Pfd., at 52, and 20 St. Louis and Southwestern Pfd., at 55. These will all, doubtless, at some time in the future, show a profit, but the vital point is, will they go down again before that profit appears? W. R. B.

Market letters, even those issued by students like Mr. Gibson, are not to be swallowed whole, but used as a guide. You should operate on your own judgment and if you have no judgment, you should not trade at all. The other market letter prophet to whom you refer, was evidently a fakir. In claiming to be able to warn you when the top was reached, he was playing upon your credulity. Any man who states that he has only read the market wrong once in ten years is a liar, as this record is not held by anyone—dead or alive. Mr. Harriman or Mr. Rockefeller could not call the top of the market for you. They do not know either before, at the time, or immediately after the top has been reached. No one actually *knows* this.

A margin of 20 per cent. is not sufficient unless you use a stop order. There has never yet been a Bull Market without a reaction of 10 or 20 points; therefore the only way to be safe is to use a stop order or buy your stocks outright. We should think your previous experiences would impress this upon you.

What sense is there in risking your money, employing your time, and worrying yourself over the matter when you do not profit by past experiences of yourself and others, but place yourself where the bulk of your profits will disappear in a twinkling?

Apparently you took profits after Taft's election and went in again at a still higher level, for the prices which you paid are in nearly every instance close to record figures. It stands to reason that a market which had been rising for over a year and which then started on a fresh upswing lasting for two months could not go on rising forever. The fact, which you admit, that you never thought of studying whether the upswing had culminated proves that you were trading blindly. You *thought* that the market would brace up and you *thought* you were in a Bull Market; but thinks of this kind form a poor basis for market operations where thousands of dollars are involved.

You say that you now hold 100 shares on a 10 point margin. Have you a stop order on this?

You also claim that tape reading is complicated. You mean that you do not want to make money badly enough to go to the trouble of studying this art. There is nothing so complicated about a thing which can be explained in plain terms which any ordinary person can understand; but we will admit that successful tape reading requires deep study and concentration.

It is possible for an expert to detect the turning point of an important swing; but this is something which each man must figure out for himself. If we positively knew and were willing to publish when these turns would occur, the subscription price to this magazine would be $3,000, instead of $3.00.

Regarding the immediate position and future of the market we cannot say. This is not within the realm of criticism. As to whether 10 points will amply protect trades at the present comparatively low level, we would say that the present level is not comparatively low. At this writing (March 30, 1909), prices are within about one point of the record figures of January 2, 1909.

We advise you to get out of the market immediately, forget all you know or thought you knew about trading in stocks, and rebuild your ideas completely on a common sense basis. You are now all wrong, and to go on in this manner will unquestionably end in your financial ruin.

Our advice to get out is without regard to whether prices are going up or down from this point.

Japan formerly bought her railway equipment from England.

Until about 1900, England dominated both railway construction and equipment in Japan. Since that time the United States, in competition with Germany, has done most of the business.

In 1901 Japan bought 39 locomotives from the United States; in 1902, 14; in 1903, 32; in 1904, 80; in 1905, 151; in 1906, 182, and in 1907, 270, these figures including also the equipment ordered from Japan for Japanese dependencies. These locomotives in 1907 cost over $6,000,000.

Japanese and Manchurian railways are now buying Pullman cars and many other adjuncts to railway operation besides locomotives, and the market thus presented has become of the highest importance to American manufacturers.

The total value of farm products in 1908 amounts to well on to eight billion of dollars—or, to be exact, $7,778,000,000, which sum is four times the value of the year's total products of all the coal, copper, iron, silver and gold mines in the United States, with, besides the value of all mineral and oil wells added. During the last ten years the value of our farm products has exceeded sixty billions of dollars.